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ABSTRACT

This report describes the first phase of a two-phase study of the condition and needs of the live professional theatre in America since the mid-1960s. Data contained in the report were collected and analyzed on the following aspects of the theatre: finances, productions, performances, facilities, labor force, and employment. The first chapter provides an overview of the study. The examination of theatre activity in chapter II shows interdependence between the activities of the profit and nonprofit sectors. Theatre finances are detailed in the third chapter and reveal a cost-revenue squeeze. An investigation of theatre audiences and the attitudes of Americans toward the theatre arts in the fourth chapter shows that approximately 20 million Americans attended at least one live professional theatre performance during the 1976-77 season, and that the individuals' propensities to attend performances depends strongly upon the experience of having done so and the opportunity to do so. The fifth chapter examines some data that describe the people who are employed or seek employment in the theatre and shows that the jobs performed by these people encompass a wide variety of tasks. The final chapter examines some of the innovations taking place in theatre operations that are contributing to financial stability, with particular attention to ticket sales, technological advances, and management and financial considerations. (HOD)

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THE CONDITION AND NEEDS OF THE LIVE PROFESSIONAL THEATRE IN AMERICA

PHASE I REPORT: DATA COLLECTION AND ANALYSIS

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The National Endowment for the Arts
Washington, D. C. 20506

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TABLE OF CONTENTS

Page

I. INTRODUCTION AND SUMMARY

A. Introduction I-1
  1. Overview I-1
  2. The Scope of Our Study I-4
B. Summary of Our Findings and Reader's Guide to the Report I-7

II. THEATRE ORGANIZATION AND ACTIVITY

A. Introduction and Overview II-1
B. Basic Statistical Data on Facilities and Activity II-6
  1. Not-For-Profit Theatres with Annual Budgets of $250,000 and Over II-7
  2. Broadway II-15
  3. Beyond Broadway II-19
  4. Dinner Theatre II-27
  5. Summer Theatre II-31
  6. Off-Broadway II-38
  7. Not-For-Profit Theatre with Budgets Under $250,000 II-40
  8. Black and Chicano Theatres II-45
  9. Children's, Women's, Ethnic, Native American and Street Theatre II-46
  10. School and Community Theatre II-49

TABLE OF CONTENTS (CONTINUED)

Page

C. Additional Indicators of Theatre Activity II-51

  1. Summer Theatre - Growth Since 1969 II-51
  2. Number of Plays Available for Use II-52
  3. New Plays by New Authors II-53

D. Relationships Between the For-Profit and Not-For-Profit Theatre II-54

III. THEATRE FINANCES

A. Introduction and Overview III-1

B. Theatre For-Profit: Broadway III-5

  1. Capitalization: Raising Money to Produce a Show III-8
  2. Production Costs III-15
  3. Operating Costs III-32
  4. Other Costs III-41
  5. Revenues III-43
  6. Profits and Losses III-50
  7. Conclusions III-64

C. Larger Not-For-Profit Theatre III-66

  1. Operating Costs III-69
  2. Income III-86
  3. Conclusions III-98

TABLE OF CONTENTS (CONTINUED)

Page

D. Smaller Not-For-Profit/Developmental Theatres III-102
  1. Introduction III-102
  2. Budgets III-104
  3. Budget Shares: Operating Expenditures III-113
  4. Relationship Between Budget and Activity III-126
  5. Income III-130
  6. Conclusion III-139

  Appendix to Section D: Ethnic (Earned/Unearned Total Expenditures III-141

IV. AUDIENCES

A. Introduction and Overview IV-1

B. Sources and Data IV-4

C. Theatre Attendance IV-7
  1. Total U.S. Theatre Attendance IV-7
  2. Attendance by Theatre Type IV-11
  3. Other Characteristics by Theatre Type IV-14
  4. Recent Trends IV-14
  5. Information, Tickets, and Travel IV-25

D. Social Characteristics of Theatre Audiences IV-31
  1. Sex Differences IV-31
  2. Age Composition IV-33
  3. Education IV-33

TABLE OF CONTENTS (CONTINUED)

Page

4. Income IV-36

5. Occupation IV-38

6. Region IV-43

7. Place of Residence IV-45

8. Metrolpolitan Area IV-45

9. Differences Between Frequent and and Infrequent Attenders IV-48

E. Attitudes Toward the Theatre IV-51

1. Commitment to the Theatre IV-51

2. Reasons For Not Attending IV-55

3. Support of the Theatre IV-67

F. The Effect of Price on Ticket Demand IV-70

G. Summary and Conclusions IV-76

V. THEATRE LABOR FORCE AND EMPLOYMENT

A. Introduction and Overview V-1

B. Labor Force V-5

1. Actors' Equity Association V-6

2. Membership in Other Unions V-9

C. Employment V-16

1. Employment of Equity Members Under Equity Contracts V-16

TABLE OF CONTENTS (CONTINUED)

			Page
	2.	Employment in Other Unions	V-32
	D.	Compensation	V-36
	1.	Wage Rates in the Theatre Occupations	V-39
	2.	Union Members' Annual Income	V-47
	3.	Wage Bills in the Theatre	V-63
	E.	Conclusions	V-71
VI.	INNOVATIONS IN THEATRE OPERATIONS		
	A.	Ticket Sales	VI-3
	1.	Subscription and Group Sales	VI-3
	2.	Advertising	VI-5
	3.	Credit Instruments	VI-5
	4.	Discounts on Theatre Tickets	VI-6
	B.	Technological Advances	VI-12
	1.	Lighting Boards	VI-12
	2.	Computerized Box Office	VI-14
	3.	Ticketron	VI-15
	C.	Management and Finance	VI-16
	1.	Mixed For-Profit and Not-For-Profit Production	VI-16

TABLE OF CONTENTS (CONTINUED)

Page

2. Ford Foundation Cash Reserve Program VI-16
3. Arts Councils VI-17
4. United Arts Funds VI-18
5. Tax Programs VI-19
6. New York State Council VI-20
7. Cluster and Collective Management VI-21
8. Costume Collections VI-23

D. Summary VI-23

APPENDIX A: SCOPE OF THE STUDY A-1

APPENDIX B: THIRTY LARGER NOT-FOR-PROFIT THEATRES B-1

LIST OF TABLES

Page

Table I-1 : Theatrical Facilities and/or Companies - All U.S. (1977) I-9
Table I-2 : Theatre Activity and Attendance - All U.S. Estimated 1977) or Most Recent Year Available I-11
Table II-1 : Regional Theatres With Budgets Over $250,000 Per Year (1977) II-9
Table II-2 : Broadway Theatres Activity and Facilities (1976-1977) II-15
Table II-3 : Facilities Suitable for Broadway Tryouts and/or Touring Operations II-22
Table II-4 : Dinner Theatres - All U.S. (1977) II-30
Table II-5 : Summer Stock Companies II-34
Table II-6 : Short Season Musical Theatres With Seating Capacities Over 1,000 (Outdoor Arenas, Tents and Hardtops) (1977) II-37
Table II-7 : Not-For-Profit Theatre With Budget of Under $250,000 Per Year, By Region II-43
Table II-8 : Activity and Attendance - All School and Community Theatres II-50
Table II-9 : Number of Plays Available For Use by Performance Group II-52
Table II-10 : Percentage of Productions of Fifteen Not-For-Profit Theatres First Produced on Broadway (November 1976 - October 1977). . . . II-56
Table III-1 : Playing Weeks and Box-Office Receipts for Broadway and the Road (1965-1977) III-6
Table III-2 : Average Capitalization of Commercially Produced Broadway Plays and Musicals (in Thousands). . . . III-11
Table III-3 : Total Annual Capitalization of New Broadway Productions (in Thousands) III-13
Table III-4 : Average Production Costs (in Thousands) (49 Plays and 52 Musicals) III-16
Table III-5 : Breakdown of Average Productions Costs (Plays and Musicals). III-18
Table III-6 : Size of Broadway Casts; Selected Years (1965-1977). . III-20
Table III-7 : Annual Rates of Increase in the Wholesale Prices of Selected Commodity Groups (1965-1977) III-26
Table III-8 : Average Operating Expenses per Week, per Show (in Thousands) (53 Plays and 58 Musicals) III-33
Table III-9 : Breakdown of Average Weekly Operating Expenses (Plays and Musicals). III-36
Table III-10 : Average Closing Costs as a Percent of Average Production Cost (Plays and Musicals). III-42
Table III-11 : Weekly Box-Office Receipts: Broadway (in Thousands) III-43
Table III-12 : Average Weekly Box-Office Receipts: Broadway (in Thousands) III-44

Page

Table III-13 : Expenditures, Receipts, Profits and Losses of National Companies - Plays III-51
Table III-14 : Expenditures, Receipts, Profits and Losses of National Companies - Musicals III-51
Table III-15 : Estimated Average Cash Flows (1965-66; 1976-77) . . III-54
Table III-16 : Average Lengths of Run of Successful Broadway Plays and Musicals and Probabilities of Success . . III-55
Table III-17 : Annual Rates of Increase of Selected Theatre Financial Indicators (1965-1977) III-59
Table III-18 : Average Weekly Operating Margin and Recoupment Period (for Successes). III-61
Table III-19 : Budgets of 59 Larger Not-for-Profit Theatres (1976-1977). III-66
Table III-20 : Budget Information for 30 Larger Not-for-Profit Theatres; Selected Years III-68
Table III-21 : Rates of Annual Increase of Income and Operating Expenditures for 30 Larger Not-for-Profit Theatres III-68
Table III-22 : Average Salary and Non-Salary Costs for 30 Larger Not-for-Profit Theatres; Selected Years (1965-1974). III-75
Table III-23 : Rates of Increase of Individual Cost Items Sample of 30 Larger Not-for-Profit Theatres (1965-1974) Budgets' Range $363,190-$4,020,000 (in 1976) (Median: $970,000). III-76
Table III-24 : Components of Average Expenditures for 58 Larger Not-for-Profit Theatres, by Size of Budget (1976-1977). III-79
Table III-25 : Location, Budget Size, Number of Productions and Performances; 58 Larger Not-for-Profit Theatres (1976-1977) III-84
Table III-26 : Earnings per Performance Required to Meet Total Operating Expenditures for the 58 Larger Not-for-Profit Theatres (1976-1977) III-85
Table III-27 : Average Cost per Seat and per Performance for 58 Larger Not-for-Profit Theatres (1976-1977) . . . III-85
Table III-28 : Breakdown of Earned Income of 30 Larger Not-for-Profit Theatres; Selected Years III-90
Table III-29 : Rates of Annual Increase in Individual Sources of Earned Income (1965-1974) III-90
Table III-30 : Contributions to 30 Larger Not-for-Profit Theatres from Private and Public Sectors; Selected Years . . III-93
Table III-31 : Total Budgets of 113 Developmental Theatres (1976-1977). III-104
Table III-32 : Revenues and Expenditures of 14 Developmental Theatres (1972-1977) III-109
Table III-33 : Revenues and Expenditures of 16 Developmental Theatres (1972-1977) III-110
Table III-34 : Rates of Annual Increase of Income and Operating Expenditures for Developmental Theatres III-111
Table III-35 : Cost Composition of Operating Budgets - Two Developmental Theatres (Average Budgets of $10,000-$25,000 during Fiscal Year 1971). III-116

Page

Table III-36 : Cost Composition of Operating Budgets - Three Developmental Theatres (Average Budgets Under $10,000 during Fiscal Year 1971) III-117
Table III-37 : Cost Composition of Operating Budgets - Three Developmental Theatres (Average Budgets of $50,000-$80,000 during Fiscal Year 1971) III-118
Table III-38 : Cost Composition of Operating Budgets - Two Developmental Theatres (Average Budgets of $10,000-$150,000 during Fiscal Year 1971) III-119
Table III-39 : Annual Rates of Increase of Individual Cost Items; Five Developmental Theatres (1971-1977) III-122
Table III-40 : Average Budgets of 54 Developmental Theatres Cross Sectional Data, 1976-1977 (Grouped According to Geographical Location, Budget Size and Special Character) III-124
Table III-41 : Location, Budget Size, Number of Productions and Performances; 109 Developmental Theatres (1976-1977) III-127
Table III-42 : Earnings per Performance Required to Meet Production/Operating Expenditures; 109 Developmental Theatres (1976-1977). III-128
Table III-43 : Average Cost per Seat: 1976-1977 Season and per Performance; 109 Developmental Theatres III-129
Table IV-1 : Tabular Summary of Audience Studies IV-6
Table IV-2 : Sources of Information About Performances IV-26
Table IV-3 : Sex Composition of Theatre Audiences IV-32
Table IV-4 : Attendance by Education and Income (Twelve Cities, Age 20 and Over Only) IV-40
Table IV-5 : Attendance by Occupational Field (National Sample of Graduate Students) IV-43
Table IV-6 : Attendance by Metropolitan Area IV-47
Table IV-7 : Attendance Frequency by Age and Education. IV-49
Table IV-8 : Social Characteristics by Frequency of Attendance and Theatre Type IV-50
Table IV-9 : Interest by Education and Age IV-58
Table IV-10 : Cultural Interest Compared with Parents' IV-58
Table IV-11 : Economic Reasons for Not Attending Theatre Performances by Family Income IV-60
Table IV-12 : Perceived Inaccessibility of the Theatre IV-62
Table IV-13 : Attitude Toward Going Out at Night by Age IV-63
Table IV-14 : Attitudes Toward Movies and TV IV-64
Table IV-15 : Theatre, TV, and Movies as Creative Activities IV-65
Table IV-16 : Movies and TV by Education, Age, and Theatre-Going (Sample: California) IV-66
Table IV-17 : Attitudes Toward Public Support of the Theatre IV-67
Table IV-18 : Willingness to Support the Arts through Taxes IV-69
Table IV-19 : Availability of Performances for Children (Sample: California) IV-70

Page

Table V-1 : Selected Union and Association Memberships V-10
Table V-2 : Overlap of Union Membership V-12
Table V-3 : Principal Union Employment V-14
Table V-4 : Percentage of Respondents Indicating that Performing Arts is Principal Profession V-15
Table V-5 : Work Weeks of Equity Members by Employment Area . V-21
Table V-6 : Growth Rates and Levels for Selected Weekly Salary Rates V-40
Table V-7 : Mean Average Weekly Earnings V-46
Table V-8 : Growth Rates of Average Salary/Fee Expenses for Commercially-Produced Broadway Shows (1965-66 to 1976-77) V-70
Table VI-1 : Voucher Programs VI-11
Table VI-2 : Theatre Development Fund (1968-69/1975-76) Support of Theatre, Dance and Music VI-13
Table VI-3 : New York State Council on the Arts 3 Year Arts Expenditure Analysis 900 Arts Organizations VI-22

LIST OF FIGURES

Page

Figure I-1 : Indicators of the Condition of the Theatre I-6
Figure II-1 : Founding Dates of Selected Not-For-Profit Theatres Listed in Theatre Profiles/2 . . . . . . II-4
Figure II-2 : Subscription Series and Total Productions - 30 LORT Theatres (1965-1976) II-11
Figure II-3 : Number of Performances on Subscription Series and Productions - 30 LORT Theatres (1965-1976) II-12
Figure II-4 : Average Number of Performances Per Production - All Productions - 30 LORT Theatres (1965-1976) II-14
Figure II-5 : Total Number of Productions Per Season Playing on Broadway (1900-1977). II-16
Figure II-6 : Broadway Total Annual Playing Weeks (1938-1939 - 1976-1977). II-18
Figure II-7 : Road Total Annual Playing Weeks - Key Cities (1948-1977) II-25
Figure II-8 : Sources of Straight Plays II-57
Figure II-9 : Sources of Straight Musicals II-58
Figure III-1 : Broadway Box-Office Receipts III-7
Figure III-2 : Road Box-Office Gross Receipts III-7
Figure III-3 : Average Capitalization (Plays) Current Dollars . . . III-12
Figure III-4 : Average Capitalization (Musicals) Current Dollars . III-12
Figure III-5 : Total Capitalization of New Productions (Musicals and Plays) Current Dollars III-14
Figure III-6 : Average Production Costs (Musicals, $1,000). . . . III-17
Figure III-7 : Average Production Costs (Plays, $1,000) III-17
Figure III-8 : Components of Production Costs of Plays as a Percent of Total Production Costs III-23
Figure III-9 : Components of Production Costs of Musicals as a Percent of Total Production Costs III-23
Figure III-10 : Breakdown of Advertising Expenditures; Selected Years III-31
Figure III-11 : Average Operating Expenses (Plays) III-35
Figure III-12 : Average Operating Expenses (Musicals) III-35
Figure III-13 : Components of Operating Expenses for Plays as a Percent of Total Operating Expenses Excluding Theatre Share III-38
Figure III-14 : Components of Operating Expenses for Musicals as a Percent of Total Operating Expenses Excluding Theatre Share III-38
Figure III-15 : Average Box-Office Receipts (Plays) Broadway . . . III-46
Figure III-16 : Average Box-Office Receipts (Musicals) Broadway . III-46
Figure III-17 : Sources of "Other" Income as a Percent of Total "Other" Income (Plays and Musicals - Successes Only) III-49
Figure III-18 : Average Weekly Operating Margins, Plays (Successes) - Trend ($1,000) III-62
Figure III-19 : Average Weekly Operating Margins (Musicals, Successes) - Trend ($1,000) III-63

Page

Figure III-20 : Average Recoupment Period (Musicals and Plays) in Weeks III-63
Figure III-21 : Examples of Expenditure-Reporting by Larger Not-for-Profit Theatres III-73
Figure III-22 : Average Composition of Expenditures for 58 Larger Not-for-Profit Theatres (1976-77) III-80
Figure III-23 : 59 Larger Not-for-Profit Theatres all Over the Country Earned and Unearned Income as a Percent to Total Expenditures III-87
Figure III-24 : Earned Income as a Percent to Total Income 59 Larger Not-for-Profit Theatres (1976-1977) . III-88
Figure III-25 : Government, Non-Government and National Foundations' Contributions as a Percent of Total Grants - Selected Years (30 Larger Not-for-Profit Theatres). III-95
Figure III-26 : Federal, State and City Contributions as a Percent of Total Government Contributions - Selected Years (30 Larger Not-for-Profit Theatres) III-96
Figure III-27 : Individual and Business Contributions as a Percent of Total Non-Government Contributions - Selected Years (30 Larger Not-for-Profit Theatres) III-97
Figure III-28 : Earned Income and Ticket Income as a Percent of Total Operating Expenditures (30 Larger Not-for-Profit Theatres) III-99
Figure III-29 : Public and Private Contributions as a Percent of Total Operating Expenditures (30 Larger Not-for-Profit Theatres) III-100
Figure III-30 : Cross Sectional Data for 1976-1977; Earned and Unearned Income as a Percent to Total Expenditures III-107
Figure III-31 : Exhibits of Expenditure-Reporting by Developmental Theatres III-114
Figure III-32 : Budget Shares of Individual Cost Items - Five Developmental Theatres with Budgets Between $50,000-$150,000 during Fiscal Year 1971 . . . . III-121
Figure III-33 : Percent Composition of Costs for 54 Developmental Theatres' Salaries and Expenses (1976-1977) . . . III-125
Figure III-34 : Earned Income as a Percent to Total Income 115 Developmental Theatres (1976-1977) III-131
Figure III-35 : Government and Non-Government Grants to Ten New York State Developmental Theatres (1970-1976) III-133
Figure III-36 : Government and Non-Government Contributions as a Percent of Total Grants (Ten New York State Developmental Theatres) Selected Years III-134
Figure III-37 : Government Contributions as a Percent of Total Unearned Income for Developmental Theatres - Four Samples (1976-1977) III-136
Figure III-38 : Non-Government Contributions as a Percent of Total Unearned Income for Developmental Theatres - Four Samples (1976-1977) III-137

Page

Figure III-39 : Earned and Unearned Income of 11 Developmental Ethnic Theatres . . . III-138
Figure IV-1 : Attendance by Theatre Type . . . IV-12
Figure IV-2 : Average Audience Size (1976-1977) . . . IV-15
Figure IV-3 : Percent Capacity Filled (1976-1977) . . . IV-16
Figure IV-4 : Average Ticket Price by Type of Theatre (1976-1977) . . . IV-17
Figure IV-5 : Broadway, Road and Regional Attendance . . . IV-19
Figure IV-6 : Broadway Audiences, Estimated Average Weekly Attendance in February (Selected Years) . . . IV-20
Figure IV-7 : Average Audience Size . . . IV-22
Figure IV-8 : Percent Capacity Filled . . . IV-23
Figure IV-9 : Average Ticket Price (Selected Samples) . . . IV-24
Figure IV-10 : Attendance by Distance to Theatre (New York State) . IV-29
Figure IV-11 : Age Composition of Theatre Audiences and U.S. Population . . . IV-34
Figure IV-12 : Education Levels of Theatre Audiences . . . IV-35
Figure IV-13 : Trends in Educational Composition of Audiences . . IV-37
Figure IV-14 : Theatre Tickets by Income Groups . . . IV-39
Figure IV-15 : Occupational Distribution of Audiences . . . IV-41
Figure IV-16 : Regional Distribution of Attendance . . . IV-44
Figure IV-17 : Place of Residence of Audiences and Theatre Tickets Purchasing . . . IV-46
Figure IV-18 : Reasons for Attending Theatre . . . IV-54
Figure IV-19 : Reasons for Not Attending (infrequent and Non-Attenders) . . . IV-56
Figure IV-20 : Demand By Ticket Price . . . IV-73
Figure V-1 : An 800 Seat, Non-Musical Theatre - Typical Minimum Staff Requirements . . . V-2
Figure V-2 : A Comparison of Index of Actors' Equity Association Membership with Index of Civilian Labor Force . . V-8
Figure V-3 : Actors' Equity Mean and Median Week U.S. Employment and Total Civilian U.S. Employment . . . V-17
Figure V-4 : Actors' Equity Association Work Weeks per Paid-Up Member (U.S. plus Canada) . . . V-20
Figure V-5 : Work Weeks in Covered Employment of Equity Members Working Under Equity Contracts during 1976-1977 (Sample Size: 325) . . . V-24
Figure V-6(a) : Equity Members' Work Weeks in Covered Employment Under Equity Contracts during 1975-1976 (Sample Size: 298) . . . V-25
(b) : Equity Members' Work Weeks in Covered Employment Under Equity Contracts during 1974-1975 (Sample Size: 312) . . . V-25
(c) : Equity Members' Work Weeks in Covered Employment Under Equity Contracts during 1973-1974 (Sample Size: 305) . . . V-26
(d) : Equity Members' Work Weeks in Covered Employment Under Equity Contracts during 1972-1973 (Sample Size: 323) . . . V-26

Page

(e) : Equity Members' Work Weeks in Covered Employment Under Equity Contracts During 1971-1972 (Sample Size: 295) V-27

(f) : Equity Members' Work Weeks in Covered Employment Under Equity Contracts During 1970-1971 (Sample Size: 286) V-27

Figure V-7 : Number of Days Actors' Equity Association Member Worked in Performing Arts With Pay . . V-30

Figure V-8 : Number of Work Weeks in Paid Employment of Actors' Equity Association Members V-31

Figure V-9 : Work Months of Musicians (Local 802) on Broadway and Out-of-Town in 1976 (Sample Size: 49) V-33

Figure V-10 : Total Work Weeks - ATPAM Members (1970-71 to 1974-75). V-35

Figure V-11 : ATPAM Members' Work Weeks (1974-1975) V-37

Figure V-12 : Equity Members' Average Weekly Wage During Covered Employment in 1976 Under Equity Card (Sample Size: 30) V-42

Figure V-13(a) : Equity Members' Average Weekly Wage during Covered Employment in 1975 Under Equity Card (Sample Size: 33) V-42

(b) : Equity Members' Average Weekly Wage during Covered Employment in 1974 Under Equity Card (Sample Size: 30). V-43

(c) : Equity Members' Average Weekly Wage during Covered Employment in 1973 Under Equity Card (Sample Size: 25) V-43

(d) : Equity Members' Average Weekly Wage during Covered Employment in 1972 Under Equity Card (Sample Size: 26) V-44

(e) : Equity Members' Average Weekly Wage during Covered Employment in 1971 Under Equity Card (Sample Size: 24). V-44

(f) : Equity Members' Average Weekly Wage during Covered Employment in 1970 Under Equity Card (Sample Size: 29) V-45

Figure V-14 : Annual Covered Income of Equity Members Employed Under Equity Contracts during 1976-1977 (Sample Size: 325) V-49

Figure V-15(a) : Annual Covered Income of Equity Members Employed Under Equity Contracts during 1975-1976 (Sample Size: 298) V-49

(b) : Annual Covered Income of Equity Members Employed Under Equity Contracts during 1974-1975 (Sample Size: 312) V-50

(c) : Annual Covered Income of Equity Members Employed Under Equity Contracts during 1973-1974 (Sample Size: 305) V-50

(d) : Annual Covered Income of Equity Members Employed Under Equity Contracts during 1972-1973 (Sample Size: 323) V-51

Page

(e) : Annual Covered Income of Equity Members Employed Under Equity Contracts during 1971-1972 (Sample Size: 295) V-51
(f) : Annual Covered Income of Equity Members Employed Under Equity Contracts during 1970-1971 (Sample Size: 286) V-52
Figure V-16 : Income from all Sources of Actors' Equity Association Members in 1976 . . . . V-54
Figure V-17 : Income of Musicians (Local 802) from Employment on Broadway and Out-of-Town in 1976 (Sample Size: 49) V-55
Figure V-18 : Distribution of Income from ATPAM Employment of ATPAM Members (1974-1975) V-58
Figure V-19 : Broadway Theatre Income of Stagehands (Local 1) in 1976 (Sample Size: 160). V-59
Figure V-20 : Covered Income of Stagehands (Local 1) of Members Working on Broadway in 1976 (Sample Size: 160). . V-61
Figure V-21 : Broadway Income of Ushers and Doormen in 1976 (Sample Size: 120) V-62
Figure V-22 : Growth Rates in Categories of Salary/Fee Expenditures 1965-66 through 1973-74 . . . . V-65
Figure V-23 : Selected Salary/Fee Expenses as a Percent of Total Operating Expenses V-68

FOREWORD

This report presents the results of the first phase of a two-phase study of the condition and needs of the live professional theatre in America.[1] The objective of Phase I of the study was to collect and analyze data describing the current condition and needs of the theatre.

During Phase II of the study, an Advisory Group nominated by the National Endowment for the Arts will write a report of recommendations concerning the needs of the theatre. The membership of the Advisory Group is as follows:

Mr. Harold Prince
The Harold Prince Organization

Mr. Oscar G. Brockett
Indiana University

Ms. Hazel Bryant
Afro-American Total Theatre

Mr. Edward Corn
The Opera Company of Philadelphia

Mr. Robert W. Crawford
Consultant

Ms. Barbara Robinson
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Ms. Jean Burch Falls
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Ms. Geraldine Fitzgerald
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Mr. Gary Gisselman
Chanhassen Dinner Theatre

Mr. Donald Grody
Actors' Equity Association

Mr. Thomas M. Messer
The Guggenheim Museum

Mr. Lloyd Richards
National Playwrights Conference

Mr. Alan Schneider
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Mr. Donald Schoenbaum
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Mr. Gerald Schoenfeld
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Mr. Luis Valdez
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Organizations

Actors' Equity Association
American Federation of Musicians
American Theatre Association
American Theatre Producers, Inc.
Associated Council of the Arts
Association of Theatrical Press Agents and Managers
Attorney General's Office, New York State
Black Theatre Alliance
Chicago Alliance for the Arts
Columbia Artists
Dramatists' Guild
Equity-League Pension and Welfare Fund
The Ford Foundation
Gemini Artist Management
Guthrie Theatre (Minneapolis)
Hospital Audiences, Inc.
Independent Booking Office
International Alliance of Theatrical and Stage Employees
Jean Cocteau Repertory
John Kenley Enterprises
League of New York Theatres and Producers
League of Off Broadway Theatres
League of Resident Theatres
Manhattan Theatre Club
Mark Taper Forum
Music Fair Enterprises
National Endowment for the Arts
New York Shakespeare Festival
New York State Council on the Arts
Off-Off Broadway Alliance
Outdoor Arena Association
The Shubert Organization
The Society of Stage Directors and Choreographers
Theatre Communications Group
Theatre Development Fund
Theatre NOW
Treasurers and Ticket Sellers Union, Local 751

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I. INTRODUCTION AND SUMMARY

A. Introduction

1. Overview

Over a decade ago, in the first full-scale investigations of the economic condition of the theatre in America, Baumol and Bowen[1/] and Moore[2/] in independent studies concluded that the theatre was caught in a perpetual cost-revenue squeeze. This squeeze, they argued, was caused by a tendency for the costs of producing a live performance to grow more rapidly than the revenues obtained from producing it. They attributed the relatively rapid rate of cost increase to the fact that there is relatively little scope in live performance for the kind of productivity increases that characterize the rest of our economy. Baumol and Bowen called this phenomenon the "cost disease." The relatively slow rate of growth of revenues, these studies found, was due to fierce competition from other art and entertainment forms and to a commitment in some segments of the performing arts community to keep admission prices within reach of as large a cross-section of the public as possible.

While the diagnoses contained in these studies were unmistakably clear, their prognoses for the future rested heavily upon a number of unknowns. Of their conclusions concerning causes of the persistent financial squeeze on the performing arts and the implications of these conclusions for the future,

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[1/] Baumol, William J. and William G. Bowen, Performing arts: The Economic Dilemma (New York: The Twentieth Century Fund), 1966.

[2/] Moore, Thomas Gale, The Economics of the American Theatre (Durham, N.C., Duke University Press), 1968.

Baumol and Bowen wrote: [1]

> This conclusion has implications that are rather sobering. It suggests that the economic pressures which beset the arts are not temporary -- they are chronic. It suggests that if things are left to themselves deficits are likely to grow. Above all, this view implies that any group which undertakes to support the arts can expect no respite. The demands upon its resources will increase, now and for the foreseeable future. Happily, however, we shall see that contributions have also been growing and that there is some reason to hope that the sources of philanthropy will be able to meet much of the expanding need for funds. Some classes of performing organization -- especially the established groups and those with well-organized fund raising machinery -- may, therefore, find survival in the future no more difficult than it is today. But for the smaller, more experimental and less well-organized groups, and the organizations which are not operated on a non-profit basis and so do not live by philanthropy, a state of financial crisis may not just be perennial -- it may well grow progressively more serious.

This report examines what has actually happened to the condition of the live professional theatre in America since the mid 1960's. In it, we shall see whether or not the cost-revenue squeeze has become progressively worse, as predicted by Baumol and Bowen with all of the attendant adjustments that this would necessitate.

More specifically, in our study, we have sought to answer two questions:

1. What is the current economic condition of the theatre in America and how has it developed over the last ten to fifteen years?
2. What factors account for the economic condition of the theatre?

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[1] Op. Cit., pp. 10-11.

Our analysis will show that, by and large, the theatre has adjusted rather well to the drastically changing economic conditions of the past ten-odd years. During this time period, the evidence shows that theatrical activity has expanded generally, while the relationship between costs and revenues has remained about what it was at the time Baumol and Bowen made their study.

This does not mean, however, that the structural tendency toward financial squeeze is not serious. To stabilize its economic condition over the tumultuous 1970's, the theatre made several cost-saving and/or revenue generating adjustments. There is some evidence, for example, that cast sizes in Broadway productions have fallen slightly. There is evidence that the not-for-profit theatre has lengthened its seasons, cuts its number of productions, and extended the playing length of its productions. There is evidence that newly constructed theatres are larger than existing ones by a substantial margin. There is evidence that larger producing organizations are tending to shy away from material that may be risky at the box office. There is evidence that the theatre is rigorously pursuing modern marketing methods to attract and retain audiences.

The outlook for the future is very uncertain. Most of the measures taken by the theatre to cope with the cost-revenue squeeze during the 1960's and 1970's are limited in the extent to which they can be applied in the future (e.g., cast sizes cannot be reduced below one), and the theatre professionals we have interviewed during the course of this study are uniformly concerned about their ability to cope with the economic problems of the future.

Our results and conclusions are summarized in more detail in Section B of this chapter, which appears below. Before we discuss these results and conclusions, however, we should first offer a few explanatory remarks about the nature and scope of the investigation that we have conducted.

2. The Scope of Our Study

Our charge in this study was to undertake a dispassionate investigation of the condition and needs of the live professional theatre in America and to complete this investigation during calendar year 1977. [1] Both profit and non-profit theatre were to be examined, with special attention paid to trying to better understand the relationship between these two different types of theatre.

Obviously, this is a very general charge. The theatre in America is an incredibly diverse and pervasive enterprise. There is theatre produced and presented in the street; there is Black theatre, and Chicano theatre; there is theatre produced in conjunction with restaurant operation; there is theatre produced in universities, high schools, and grade schools; there is theatre produced in neighborhoods and communities.

The adjective "professional" did not help a great deal to divide the theatre into those we would consider and those we would not since "professional" also means different things to different people. To decide what would and what would not be covered in our efforts to gather systematic data describing the condition of the theatre, we adopted the following criteria:

1. It must meet at least one of the following conditions:

1/ A copy of the National Endowment for the Arts' charge to us for this study is contained in Appendix A. A subsequent contract modification extended the completion date into 1978.

a. Eligible for support from the theatre programs of one of the major granting institutions (e.g., NEA, New York State Council on the Arts, Ford Foundation);

b. A member of the Theatre Communications Group;

c. Employ actors under Actors' Equity Association contracts;

d. Employ paid actors or clearly intends to pay actors.

2. It must be feasible to get data within the tight time and resource constraints on our study.

If a theatre did not meet these criteria, then we made no attempt to gather systematic data on it. Nonetheless, we have collected some aggregate information on amateur school and community theatres and report it in order to try to give a more complete picture of the nature and scope of theatrical activity in the country today.

In order to describe the condition of the theatre, we have collected certain data on what might be thought of as vital statistics. These statistics are indicators of trends and conditions; they are not meant to be complete, logically consistent bodies of data on all aspects of the theatre (say, in the same way that the National Income and Product Accounts are a complete and logically consistent body of data on selected kinds of economic activity in the country). Indeed, such a body of data does not now exist, and may not for several years. 1/

1/ The Research Division of the National Endowment for the Arts has commissioned several studies to evaluate existing data and to define data needs and data base designs.

The major vital statistics we have chosen to collect and analyze here are shown in Figure I-1. As this figure shows, we have collected and reported data on finances, audiences, productions, performances, theatre facilities, labor force, and employment.

Figure I-1

Indicators of the Condition of the Theatre

Finances
Audience
Activity
Facilities
Labor Force
Employment
Earnings
Innovations

Statistics alone can give only a partial picture of the condition and needs of the theatre. They do not necessarily reflect the special insights of those most knowledgeable about the field. To try to complete the picture, we also took steps to obtain the views of a number of people and organizations involved in the theatre. This was done in two different ways. First, we wrote to a number of different organizations to tell them about this study and to invite them to submit statements for the record. The statements that we received are reproduced in their entirety in Exhibit I to this report.

Second, at the suggestion of the Advisory Group to this study, four round table discussions were held (two in New York City, two in Los Angeles), with a small number of participants representing different theatre viewpoints.

Edited transcripts of these round tables are also reproduced in their entirety as Exhibit II to this report.[1]

B. Summary of Our Findings and Reader's Guide to the Report

As our first step in examining the condition of the theatre, we first undertook to determine the nature and extent of theatre activity in the country. We found that there is an immense amount of activity presented in variegated forms now taking place all across the Nation.

Some idea of the nature and extent of activity can be gotten by examining Table I-1, which shows the geographic distribution of a number of different types of theatre active in the Nation during 1976. As this table shows, there is some form of professional theatre activity in every state of the Nation. While it is still true that the theatre is more heavily concentrated in New York, Chicago and Los Angeles, there is significant, and we believe, growing activity outside of these areas.

The importance of the live professional theatre in the lives of many Americans is best dramatized by data on the activities of the theatre in America, which are shown in summary form in Table I-2. As this table and the analysis of Chapters II and IV on which it is based show, a conservatively estimated one out of every ten adults attended a live professional theatre performance last year and 1 in 3 attended some kind of theatrical performance. In toto, there were approximately 63.8 million attendances at professional performances and 60.7 million at amateur theatres, not including attendance at performances of Street Theatre, and at performances of not-for-profit theatres presented out-of-house. These attendance figures show that Americans are interested in the theatre, as evidenced by willingness to spend time and money on it.

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[1] Complete unedited transcripts are on file with the Research Division of the National Endowment for the Arts.

Although time constraints have prevented us from making a systematic investigation of the effect of this activity on the U.S. economy, two recently-completed studies indicate that the economic spinoffs from the activity summarized in Tables I-1 and I-2 are very substantial. One study of the impact of the Broadway theatre on the economy of New York City and the nation estimated that the Broadway theatre contributed about $160 million to the economy of New York City during the 1974-75 season, and a total of about $270 million to the Nation's (including New York City) economy. 1/ Another study of the contribution of cultural institutions to the economy of Baltimore, Maryland, SMSA concluded that eight cultural institutions (which included three theatres) generated directly and indirectly almost $30 million of regional income in 1976. 2/ Under the conservative assumption that the average ticket price corresponding to the admissions reported in Table I-2 is $6.50, and using a procedure described in the study of the impact of the Broadway theatre, 3/ we conclude that the professional activity estimates reported in Table I-2 could lead to a direct and indirect contribution to GNP of approximately $2.1 billion in 1976-77.

1/ Mathtech, Inc. The Impact of the Broadway Theatre on the Economy of New York City, February 22, 1977. Prepared for the League of New York Theatres and Producers, Inc.

2/ Cwi, David and Katherine Lyall, Economic Impacts of Arts and Cultural Institutions: A Model for Assessment and a Case Study in Baltimore, Research Division Report #6, National Endowment for the Arts, (November, 1977).

3/ Mathtech, February 22, 1977, op. cit., pp. 43-45.

Table I-1

Theatrical Facilities and/or Companies - all U.S. - 1977

Location	(1) LORT (Equity)	(2) Road	(3) B'way	(4) Dinner Ths. (Equity)	(5) Dinner Ths. (Non-Equity)	(6) Summer Ths. (Equity)	(7) Summer Ths. (Non-Equity)	(8) Large Outdoor Tent & Hardtop Musicals	(9) Outdoor Festivals and Pageants	(10) Small Ths.	(11) Black 1/ and Chicano
Middle Atlantic											
New Jersey	2	9	-	-	6	2	6	1	-	7	1
New York	5	18	-	5	2	9	25	2	-	21	8
Pennsylvania	2	20	-	2	4	8	18	3	-	14	3
New York City	7	-	39	-	-	-	-	1	-	230	27
Northeast											
Connecticut	6	6	-	2	3	5	7	2	-	9	5
Maine	1	-	-	-	1	3	2	-	-	4	-
Massachusetts	1	4	-	3	1	6	15	4	-	17	2
New Hampshire	2	-	-	-	-	5	7	-	1	1	-
Rhode Island	1	2	-	1	-	-	2	1	-	3	-
Vermont	-	1	-	-	-	1	6	-	-	1	-
West North Central											
Iowa	--	7	-	-	-	-	4	-	-	3	1
Kansas	-	7	-	-	-	-	5	-	-	2	1
Minnesota	2	6	-	3	-	-	7	-	1	11	1
Missouri	2	8	-	4	2	1	4	2	1	2	1
Nebraska	-	3	-	2	-	-	2	-	-	4	-
N. Dakota	-	1	-	-	-	-	2	-	-	1	-
S. Dakota	-	-	-	-	-	-	6	-	1	1	-
South Atlantic											
Delaware	-	1	-	-	-	-	1	-	-	3	-
Washington, D.C.	2	3	-	-	-	-	4	1	-	13	7
Florida	1	15	-	6	3	3	3	1	1	12	6
Georgia	1	6	-	1	1	-	2	1	-	10	4
Maryland	1	2	-	4	3	-	3	1	1	9	1
N. Carolina	2	12	-	2	3	2	6	-	10	8	3
S. Carolina	-	3	-	-	-	-	3	-	1	4	-
Virginia	2	7	-	2	9	1	4	-	3	3	-
W. Virginia	-	4	-	-	1	-	2	-	1	2	-
East North Central											
Illinois	3	14	-	3	-	8	10	-	1	51	3
Indiana	1	11	-	2	3	-	11	2	-	1	1
Michigan	1	9	-	-	-	3	10	1	-	7	3
Ohio	3	12	-	5	2	-	11	3	4	4	1
Wisconsin	1	13	-	-	-	2	4	7	2	6	1

Table I-1 (cont.)

Theatrical Facilities and/or Companies - all U.S. - 1977

Location	(1) LORT	(2) Road	(3) B'way	(4) Dinner Ths. (Equity)	(5) Dinner Ths. (Non-Equity)	(6) Summer Ths. (Equity)	(7) Summer Ths. (Non-Equity)	(8) Large Outdoor Tent & Hardtop Musicals	(9) Outdoor Festivals and Pageants	(10) Small Ths.	(11) Black 1/ and Chicano
West South Central											
Arkansas	-	3	-	-	1	-	-	-	3	3	1
Louisiana	-	6	-	1	1	-	1	-	1	6	4
Oklahoma	-	5	-	1	-	-	2	-	3	5	-
Texas	3	19	-	6	3	-	4	2	5	11	3
Mountain											
Arizona	1	5	-	1	1	-	-	-	-	8	-
Colorado	-	6	-	1	4	1	11	-	-	4	-
Idaho	-	1	-	-	-	-	2	-	-	3	-
Montana	-	-	-	-	-	-	5	-	-	1	-
Nevada	-	-	-	-	-	1	-	-	-	-	-
New Mexico	-	3	-	2	-	-	1	-	-	9	-
Utah	-	4	-	2	-	-	1	-	2	2	-
Wyoming	-	-	-	-	-	-	2	-	-	-	-
East South Central											
Alabama	-	5	-	-	1	-	1	-	-	4	1
Kentucky	1	4	-	1	1	-	5	-	5	4	-
Mississippi	-	2	-	-	-	1	-	-	-	2	1
Tennessee	1	9	-	-	3	-	2	-	2	7	1
Pacific											
Alaska	1	-	-	-	-	-	-	-	1	-	-
California	6	27	-	4	2	-	15	1	2	66	13
Hawaii	-	-	-	-	-	1	-	-	-	6	-
Oregon	-	1	-	-	-	-	3	-	-	4	-
Washington	3	5	-	1	-	-	1	-	1	10	3
Puerto Rico	-	-	-	-	-	-	-	-	-	1	-
Totals	65	309	39	67	61	63	247	30	53	620	107
States	29	43	1	32		48		18	23	50	28

(1) Theatres under Actors' Equity Association LORT contracts and the Dallas Theatre Center.
(2) Includes civic centers, colleges, and commercial theatres booking in for-profit tours.
(3) Theatres under Actors' Equity Association Production contract.
(4) Theatres under Actors' Equity Association Dinner Theatre contract.
(5) Dinner theatres not under Actors' Equity Association Dinner Theatre contract.
(6) Theatres under Actors' Equity Association CORST and COST contracts.
(7) Summer theatres not under Actors' Equity Association contracts.
(8) Theatres under Actors' Equity Association AMTA contract.
(9) Member of the Institute of Outdoor Drama and 13 Shakespeare festivals.
(10) Members of the Theatre Communications Group not covered by LORT contract; plus theatres not covered by the LORT contract but receiving assistance from the National Endowment for the Arts Theatre Program, New York State Council on the Arts, Ford Foundation; plus theatres participating in various Theatre Development Fund assisted voucher programs; plus companies listed in Alternative Theatre and Grass Roots Alternate Roots Directory. Double-counting has been eliminated.
(11) Black and Chicano theatres listed by the Black Theatre Alliance as professional or near professional. This column is included in the totals reported in Column (10).

Sources: See Chapter II.

Table I-2

Theatre Activity and Attendance - All U. S. (Estimated) 1977 or Most Recent Year Available

Type of Theatre	Number of Facilities	Capacity[1]	Number of Productions[2]	Number of Performances[2]	Attendance[3] (Millions)
Large Regional (LORT)	65	38,400	396	13,200	6.0
Broadway	39	49,000	63	10,800	8.8
Commercial Touring (Road)	309	700,000[4]	-	9,000	14.7
Non-Profit Touring	-	-	-	3,000	1.4
Dinner	128	45,000	1,300	32,000	11.1
Small Summer Stock[5]	310	100,000	1,200	22,000	4.9
Lg. Musical Arenas[5] and Hardtops	30	99,000	200	3,000	6.6
Outdoor Pageants[5]	40	-	40	2,000	1.7
Other Small Budget	620	-	-	-	8.6
Total[6]	1,500	1,030,000	3,200	95,000	63.8
Community	2,500	-	7,500	45,000	6.7
College	2,500	-	7,500	30,000	9.0
High School	30,000	-	30,000	150,000	45.0
Total	80,000	-	45,000	225,000	60.7

1/ These are a rough estimation of the number of seats in facilities suitable for performance, including outdoor, summer facilities.

2/ Estimated by MATHTECH. In the absence of any basis for a reasonable estimation, we have simply omitted this number of productions and performances in the smaller theatres. It is certainly extremely high, and it ranges from a fully staged performance to what is little more than a staged reading or a workshop situation.

3/ We estimate that 15 million different people attended professional theatre an average of 4.3 times each (frequency from Louis Harris, Arts in America) and 30 million attended amateur theatre. The groups probably overlap somewhat.

4/ Mostly multi-purpose auditoriums.

5/ Small summer stock, large musicals and outdoor pageants are all largely summer operations. Their total attendance was 13.2 million.

6/ Totals are rounded.

NOTE: The Broadway and Touring figures refer to rented facilities and the relevant performance activities they housed in the 1976-77 season. None of the other categories make any distinction between the physical plant and the performing group that either own or rent them.

Sources: See Chapter II.

One of the interesting features of theatre activity in our country is that it is organized on both a for-profit and a not-for-profit basis. The development of the not-for-profit theatre in America is a relatively recent occurrence. Almost all of the not-for-profit theatres operating today were founded within the last twenty years, and the increase over the last twenty years in the activity in these theatres has been phenomenal. Today, we estimate that approximately half of the activity in the Nation is presented for-profit and half is presented on a not-for-profit basis.

Our examination of activity in Chapter II shows interdependence between the activities of the profit and non-profit sectors. This interdependence takes the form of sharing of plays, facilities, and personnel.

Whether or not theatre is presented for profit, economics is a very potent force in determining what is produced, how it is produced, and how much of it is produced. As noted above, the cost-revenue squeeze produced constant pressures to produce fewer works, to produce less risky works, to produce works that are less costly, and to cut corners in production in order to cut costs and boost revenues. Our detailed examination of theatre finances in Chapter III shows that the cost-revenue squeeze is, in fact, real and it is serious. We will see, for example, that the current dollar cost of producing a Broadway musical has increased at a rate of approximately 5 percent per year since the mid-1960's, and the current dollar cost of producing a straight play has increased by about 10 percent per year over this same period. Moreover, we will see that considerable ingenuity and sacrifice have been called for to hold cost increases to these levels.

We see similar signs of cost-revenue squeeze and cost control in our examination of selected data on the non-profit theatre. In particular, we shall see that operating budgets of the larger not-for-profit theatres increased at about 9 percent per year, due largely to inflation. We shall also see that cost-saving measures were taken and that budgets have by and large been brought into balance (i. e., unanticipated deficits are now more rare than they were in the 1960's in the non-profit theatre), and that the gap between earned income and total operating expenditures has not grown more than in proportion to the total budget, as it would have done had the non-profit theatre allowed costs to grow more rapidly than earned income.

Another indicator of the economic health of the theatre is the economic health of the people who work in the theatre. This is explored in Chapter V, which traces trends in the size of selected components of the theatre labor force, theatre employment, and wage rates and earnings in the theatre. The data we examine show conflicting patterns. On the one hand, we observe relatively rapid growth in the size of the theatre labor force as measured by the rate of growth of membership in unions representing theatre artists. This corroborates other evidence we have presented that theatre activity has been expanding over the recent past.

Data on employment of actors, however, show a somewhat different pattern. While total employment of actors has grown, it apparently has not done so as quickly as has union membership. The result is that the average actor seems to find less employment under Equity jurisdiction each year. During the 1975-76 season, only 60 percent of Actors' Equity

Association paid-up membership (Actors' Equity Association represents actors, stage managers, and chorus in bargaining with much of the professional theatre) worked even one time under Actors' Equity jurisdiction. According to the statistics of the U.S. Bureau of the Census - U.S. Bureau of Labor Statistics, the unemployment rate for actors has ranged between 30 and 50 percent from 1970 up to the present. Given the fact that actors move between assignments and that not all actors are suited for all parts, it is possible that this high rate in part reflects normal frictional unemployment. This rate, however, seems much higher than could be explained on these grounds alone.

Income data show that actors receive what many would regard as relatively low incomes. While weekly salaries have grown at rates equaling or exceeding the rate of growth of the general price level, the median annual income earned under Equity jurisdiction for a sample of Equity members did not exceed $5,000 in any year during the period we examined (1970-71 through 1976-77). Moreover, the data also show some trend away from use of highly paid actors.

Undoubtedly, the persistence of high unemployment, the relatively rapid growth of the labor force of actors, and relatively low incomes in part reflect the fact that actors are deeply committed to their occupation and are willing to undergo what most would consider hardship to engage in it. These patterns may reflect the fact that many actors are part of households that have other sources of income and employment. These factors notwithstanding, it is still fair to conclude that only a fortunate few earn enough in the theatre to provide for their own needs and those of a family.

The distinguishing feature of many of the measures taken by the theatre to combat the cost disease, such as reducing cast sizes or pay rates, is that they cannot keep costs in check forever. There is an absolute limit on the extent to which cast sizes or pay rates can be cut. When this limit is reached, it will no longer be possible to control the rate of increase of cost by these measures.

The struggle against the cost-revenue squeeze has assumed other forms as well. In Chapter VI we examine some of the more recent innovations the theatre has developed to combat the squeeze, including new methods for increasing revenues and increasing the stability of revenues, new production methods that lower costs of production and performance, and methods to improve the management of the theatre enterprise. Although the data are not very substantial, we do see some evidence that these measures are paying off, both in terms of expanding box office revenues and reducing costs.

But what of the future? The theatre must continually find ways to cut costs and/or increase revenues to fend off financial squeeze. Has the theatre used up most of its leeway to adjust its operations to control costs? Casts can be only so small. Seasons can only be so long. Productions can only be so few. Only 100 percent of capacity can be filled.

We see three possible alternative (which is not to say mutually exclusive) futures for the theatre. First, the theatre may continue to find ways to control costs and boost revenues earned from the activities in which it engages. If it does this successfully, there is every reason to believe that the next decade will show continued increases in activity levels and financial stability.

The second alternative future is for the theatre to become dependent for its sustenance and growth on increasing public and private contributions. Under this alternative, earnings from activities would cover an ever-shrinking portion of the theatre's budget, with the result that the theatre would become progressively dependent upon philanthropy.

The third alternative future is that, absent cost control, revenue increases, and increases in publicly and/or privately contributed support, financial constraints would cause the level of theatre activity in our country to fall. This alternative, although it may sound alarmist, should be regarded as no less plausible than the two alternatives discussed above. Economic history is replete with examples of goods and services that are no longer readily available because the cost of producing them has outgrown most consumers' willingness to pay for them, and competitive (although perhaps inferior in some sense) products have been developed. It is difficult today, for example, to purchase vine-ripened tomatoes, or really fresh fish, or the services of a family doctor.

We do not know with certainty which combination of these futures is most likely. We do know that some of the more obvious and easily implemented measures for controlling costs and increasing earned revenues are already being exploited and are limited in the extent to which they can continue to hold costs and revenues in balance. We also know that under current policy, the alternatives faced by the for-profit theatre are to either control costs and boost revenues or reduce activity levels since for-profit theatre is currently ineligible for philanthropy.

Perhaps most important, we know that the individuals most knowledgeable about the status and prospects of the theatre -- members of the theatre community -- are uniformly concerned about the theatre's ability to cope successfully with the future. This concern is amply gleaned from even the most casual of readings of Exhibit Volumes I and II.

Our conclusions with respect to the theatre's future thus necessarily are guarded. We do not have definite answers to many of the questions we have raised above concerning the future course of costs and revenues. Nonetheless, our results do suggest that the theatre may be in for a period of retrenchment _if_ substantial new sources of revenues are not found. The scope for fending off financial pressure through further application of the cost-saving measures we have observed over the last decade, while perhaps not exhausted, is uncertain.

II. THEATRE ORGANIZATION AND ACTIVITY

A. Introduction and Overview

In this chapter, we begin our examination of the economic condition and needs of the professional theatre in America with a broad description of theatrical activity in our Nation today. To the extent possible, we have tried to measure activity via statistics on the number of facilities in which performances are given, the number of organizations currently producing plays and musicals, the number of performances of plays and musicals, and the number of new plays and musicals produced.[1] There are, however, many interesting and important developments on which we have not been able to gather much statistical information. These also are reported here to provide some perspective on the role of activity on which no regular data were collected.

The data we will examine in this chapter show that live theatre is a pervasive part of American life. We estimate 63.8 million attendances at professional theatres last year, with tickets sold in Washington, D. C. and Puerto Rico, and in every state of the union including Alaska and Hawaii. There were at least 1800 different professional productions and over 95,000 performances.

Attendance at amateur theatre performances was at least 60.7 million in 1976-77. Such performances were staged by 30,000 high school, 2,500 college drama clubs, and at least 2,500 community groups, to whom theatre is a hobby or avocation. Last year there were at least 45,000 amateur productions and 225,000 performances.

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[1] Existing data on the theatre in America are seriously incomplete. Therefore, many of the figures reported in this chapter must be regarded as tentative estimates.

We estimate conservatively that at least one out of every five, and perhaps as much as one in every three, adult Americans paid to attend one or more live theatrical performances last year, and that one of 10 adult Americans attended live professional theatre slightly over four times during the year. These estimates tend to understate total theatre attendance. They do not, for example, include attendance at children's theatre, or attendance at free theatre (e.g., street theatre and performances in schools, prisons, hospitals and old-age homes).

The data that we have which span a period of several years show indications that demand for live theatre is increasing. The most visible indicator is the growth of the Broadway audience which, in 1976-77, supported 10,800 performances, the largest number in any season since Variety started keeping records in 1947-48. Other indicators that live theatre is increasing in popularity are the 11% increase in the number of summer theatres in the last decade, a near doubling in the number of new plays produced each year throughout the country, and the increase in audience for regional theatre over the past decade.

The most significant and striking finding of this chapter is the magnitude and variety of live professional (or professionally oriented) dramatic performance outside of New York City. Only 19% of total admission are sold in the City, with the additional 81% distributed throughout the length and breadth of the country. Several factors account for this dispersion of activity, including the growth of the non-profit regional theatres, and the emergence of a touring operation involving split weeks and one-night stands in the 1960's, making performances in small population centers possible once more.

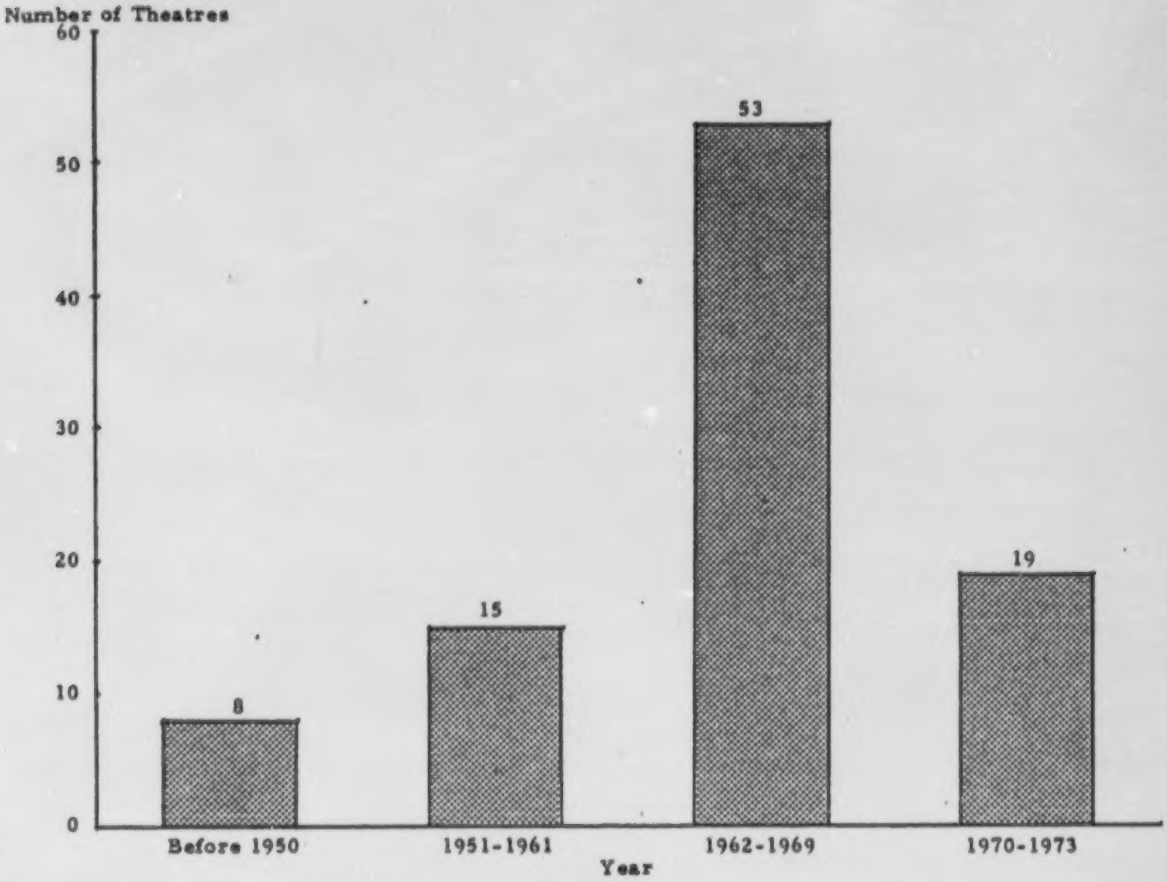
One of the interesting features of theatre activity in our country shown by the data in this chapter is that it is organized on both a for-profit and a not-for-profit basis. The development of the not-for-profit theatre in America is a relatively recent occurrence. Almost all of the not-for-profit theatres operating in the U.S. today were founded within the last twenty years, and the increase over the last twenty years in the activity in these theatres has been phenomenal. Some perspective on the growth of this segment of the theatre is provided by Figure II-1, which shows the founding dates of many of the not-for-profit theatres operating currently. Today, we estimate that approximately half of the theatre producing activity in the nation is presented on a not-for-profit basis.

The not-for-profit theatre represents a marked change in the organization of theatre activities. While most for-profit activity is organized on a production-by-production basis, not-for-profit theatres seek to become permanent institutions in their communities. To achieve this, the not-for-profit theatre typically organizes and manages itself to respond directly to community needs. In spite of the very real difference in mode of organization and role in the community, the data we present in this chapter show that the for-profit and not-for-profit theatre often share facilities, plays, and personnel.

There are sound logical reasons -- rooted in the economics facing both types of theatre -- for believing that the sharing we have observed in the past portends more sharing in the future. Each type of organization offers certain advantages that complements those offered by the other. For example, the not-for-profit theatre is well-suited to development of new works and talents, and to production of works of no profit-potential. The for-profit theatre may provide a vehicle for national and international recognition of artistry, and may also provide attractive financial rewards.

Figure II-1

Founding Dates of Selected Not-for-Profit Theatres
Listed in Theatre Profiles/2



Source: Theatre Profiles/2, Theatre Communications Group

In sum, this chapter has documented three remarkable facts, which depart sharply from previous circumstances:

- The enormous size of the audience for live theatre, probably including one in three Americans over the age of 16.
- The wide dispersion of professional theatrical activity outside New York City.
- The interdependence of for-profit and not-for-profit theatre, reflected in sharing of facilities, works, and personnel.

The plan of this chapter is as follows. Section B examines some basic statistical data on facilities, productions, performances, number of new plays and attendance for the many different types of theatre. Wherever possible, we will examine historical data which will show how current conditions compare with those of the past. Otherwise, our data usually cover only 1976-77, or the most recent year for which information is available. We have emphasized the geographical dispersion of theatre through-out the country to refute a general misconception that theatre exists only in New York and a few other large cities.

In Section C, we discuss some additional indicators of theatrical activity that have come to our attention. These indicators include data on production of new plays, plays available for use, and number of summer theatres.

In Section D, we discuss briefly some of the relationships between the kinds of organizations that comprise the theatre in America. We shall see that in spite of real differences in approach to the theatre, there are large areas of cooperation and interdependence.

B. Basic Statistical Data on Facilities and Activity

In this section and in subsequent chapters, we shall deal mainly with data that describe conditions in selected subsets of the live, professional American theatre. Any subdivision in an area as individualistic and varied as the American theatre must be arbitrary. We have, wherever there was a choice, separated the various components according to their type of arrangements with Actors' Equity, although we combined Equity groups with similar non-union companies when we could find some means of identifying them. The division of not-for-profit theatres into those with budgets over and under $250,000 per year follows the National Endowment classification. We have relegated to a minor role classifications based on for-profit or not-for-profit status, and have carefully avoided any semblance of judging quality or relative importance. We concern ourselves only with the extent to which people are willing to devote money and time to a given kind of theatre.

In short, the classifications we adopt in this and subsequent chapters are chosen because they are convenient and because we think they are an effective way to tell the story of theatre in the United States. We must apologize in advance for any gaps and inadvertent omissions in our coverage of different types of theatre due to insufficient time and data. The areas on which we will report in this chapter are the following:

- Not-for-Profit Theatres with Annual Budgets of $250,000 and Over
- Broadway
- Beyond Broadway -- Outside of New York City

- Dinner Theatres
- Summer Stock
- Off-Broadway
- Not-for-Profit Theatres with Annual Budgets Less than $250,000
- Black Theatre
- Children's, Women's, Ethnic, Native American, and Street Theatre
- College and School Drama Groups, and Community Theatre

The data we shall present show the number and size of facilities devoted to theatre activity, the number of productions mounted, the number of performances, the number of new plays mounted, and the number of tickets sold. We have attempted to secure information for the 1976-77 season (or the most recent possible) for as many theatrical organizations as possible in each of the different types of theatre listed above.

1. Not-for-Profit Theatres with Annual Budgets of $250,000 and Over

Much of non-profit activity in this country takes place in 65 full-season theatres in 29 states. All except one work under Actors' Equity "LORT" contracts. They range from all Equity companies (i.e., all actors employed are members of Actors' Equity Association) to companies that mix local non-Equity actors with Equity performers. While their sizes and the nature of their operations vary, the average theatre has about 560 seats.

Some of the 65 theatres are extremely active in developing new talent and present the work of new playwrights. Many others present the classics and restage Broadway plays of demonstrated appeal. [1] They must all, of course, adapt themselves to the tastes of their audiences to some extent in order to continue to attract them.

The financing of regional resident theatres (as we shall show in detail in Chapter III) is an amalgam of box office receipts, other earnings, municipa state and federal subsidies and private foundation, business and individual contributions. They have undertaken the task of developing their own audiences in areas where they did not exist before. They seek to be a community resource, bringing productions and services into schools, prisons, hospitals, old age homes and small, outlying communities. Their facilities are often used by other local and amateur groups and community organizations.

Table II-1 summarizes some activity indicators for these theatres. It shows that while activity is highest on the two coasts, these theatres are located in 29 states throughout the country. Their combined annual attendance is 6 million in house. They tour throughout their regions, playing to approximately 1.5 million additional paying attendees. No estimate has been made of the number of institutional visits they provide, but they routinely serve schools, hospitals, prisons and nursing homes.

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[1] The League of Broadway Theatres and Producers has calculated that from November 1976 through October 1977, 44% of the productions at 15 major regional theatres were first produced on Broadway. Theatres included in this calculation are shown in Table II-10 on page II-56 of this chapter.

Table II-1

Regional Theatres with Budgets Over $250,000 per Year - 1977

Region [1]	Number of Theatres [2]	Capacity (All Theatres)	Number of Performances	Number of Productions	Yearly Attendance
Middle Atlantic	16	6,603	3,708	71	1,757,919
Northeast	11	6,978 (+ 2,000 outdoor)	1,802	81	754,131
West North Central	4	2,449	921	23	485,439
South Atlantic	9	4,187	1,454	52	528,009
Mountain	1	518	109	6	29,778
East South Central	2	1,406	412	15	175,152
Pacific	10	5,731	2,421	69	1,328,053
East North Central	9	6,937	1,849	60	724,977
West South Central	3	1,565	569	19	253,878
Total	65	36,374 (+ 2,000 outdoor)	13,245	396	6,037,336

[1] Listed below are the states included in each region:

Middle Atlantic: New Jersey, New York, Pennsylvania, New York City.
Northeast: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont.
West North Central: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota.
South Atlantic: Delaware, Washington, D.C., Florida, Georgia, Maryland, N. Carolina, S. Carolina, Virginia, W. Virginia.
Mountain: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming.
East South Central: Alabama, Kentucky, Mississippi, Tennessee.
Pacific: Alaska, California, Hawaii, Oregon, Washington.
East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin.
West South Central: Arkansas, Louisiana, Oklahoma, Texas.

[2] This category consists of all the theatres operating under Actors' Equity LORT contract and the Dallas Theatre Center.

Sources: Actors' Equity, the National Endowment for the Arts, and Theatre Communications Group.

In order to provide data covering more than just the most recent years, we restrict our attention to a subset of the 65 theatres under Actors' Equity Association LORT jurisdiction which were covered in the Ford Foundation's survey of the finances of performing arts organizations.[1] This subset includes 30 theatres, which are listed in Appendix B to this report.

Figure II-2 shows two kinds of data on productions for these 30 theatres over the period 1965-66 through 1975-76. The lower line in this figure shows the number of subscription series productions presented in a season, which comprise the major production activities undertaken by these 30 theatres. As this figure shows, there has been a slight downtrend in the number of major productions over the entire period covered by our data, with relative constancy in the number of productions during the 70's.

The upper line in Figure II-2 shows the total number of productions mounted by the 30 theatres, and includes productions mounted for touring, productions mounted for performance on second stages, and jobbed-in productions. Total productions have also shown a slight tendency to fall in number over the whole period covered by our data. Again, however, the data show rough constancy in number of productions during the 1970's. By this measure then, activity in the 30 theatres covered has remained constant or showed a slight downward trend over the past twelve years.

Another perspective on activity is provided by data on performances. Figure II-3 shows the number of performances of subscription series productions (lower line) and number of performances of total productions

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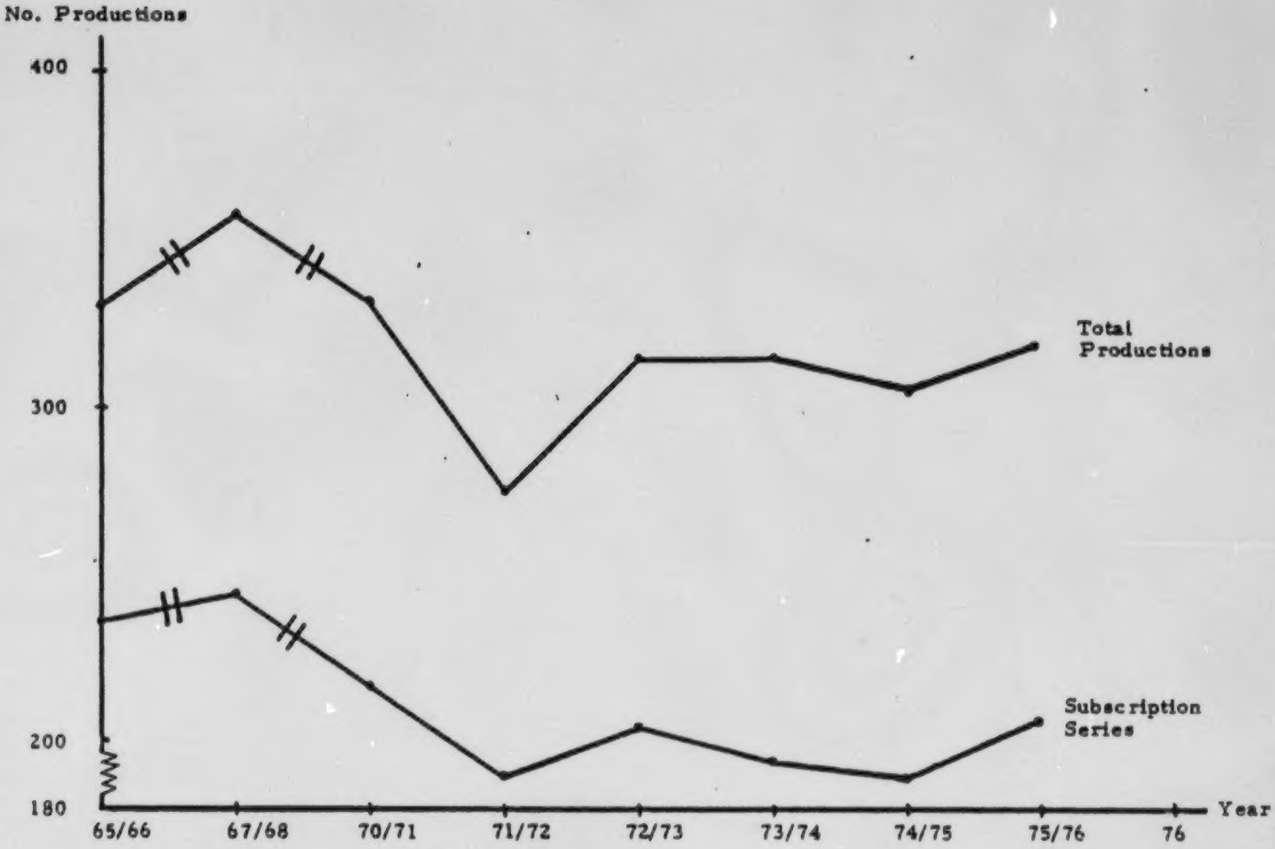
[1] This survey is described in The Ford Foundation, The Finances of the Performing Arts (New York: The Ford Foundation) 1974.

Figure II-2

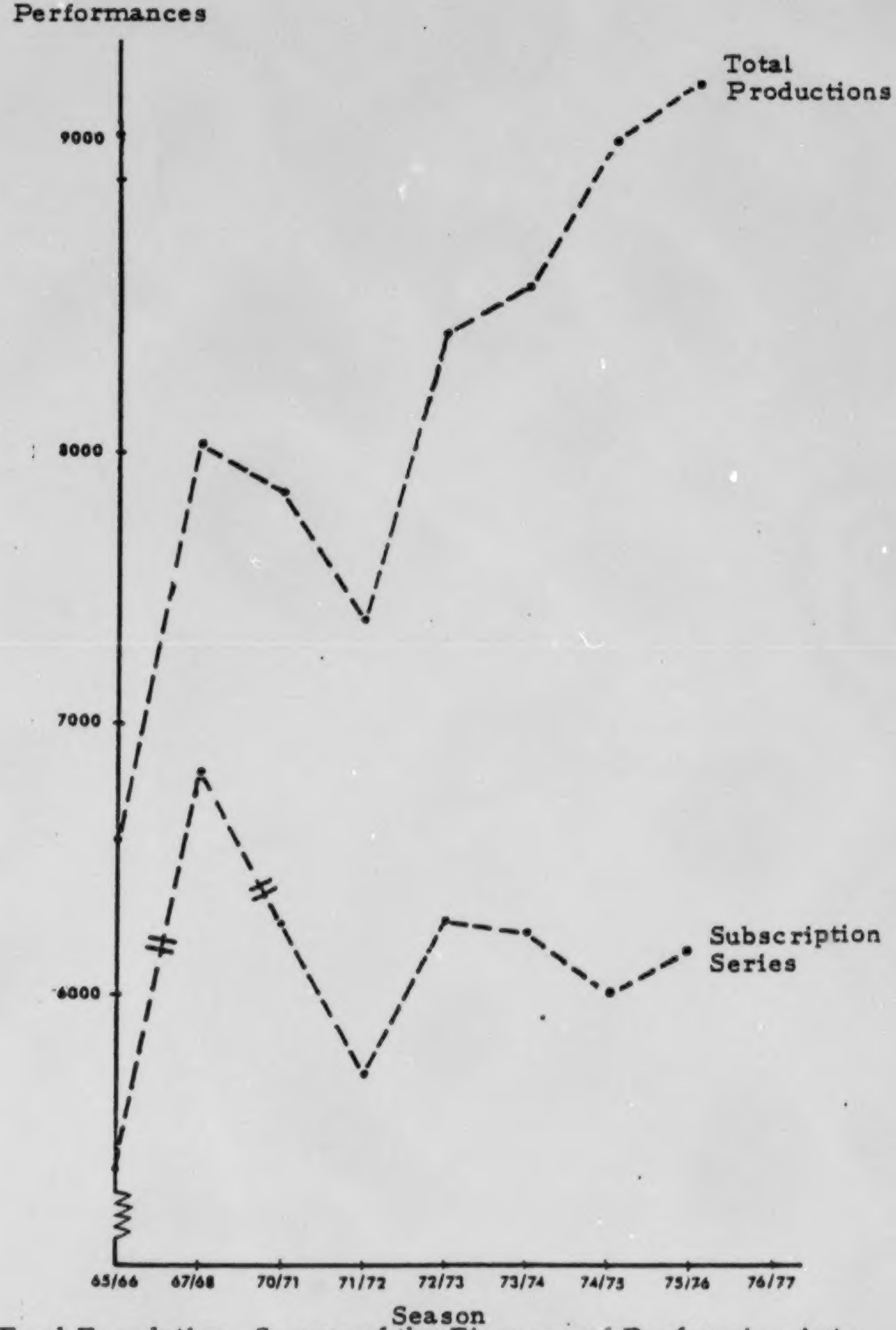
Subscription Series and Total Productions - 30 LORT Theatres
1965-1976



Source: Ford Foundation, Survey of the Finances of Performing Arts Organizations and Theatre Communications Group, Fiscal Survey.

Figure II-3

Number of Performances on Subscription Series and
Productions - 30 LORT Theatres
1965-1976



Source: Ford Foundation, Survey of the Finances of Performing Arts Organizations and Theatre Communications Group, Fiscal Survey.

(upper line). Both of these data series move upward over the twelve-year period which we cover. The number of subscription series performances has grown by approximately 0.75 percent per year over the period covered by our data, while total performances have increased at the rate of about 2.45 percent per year over this same period.

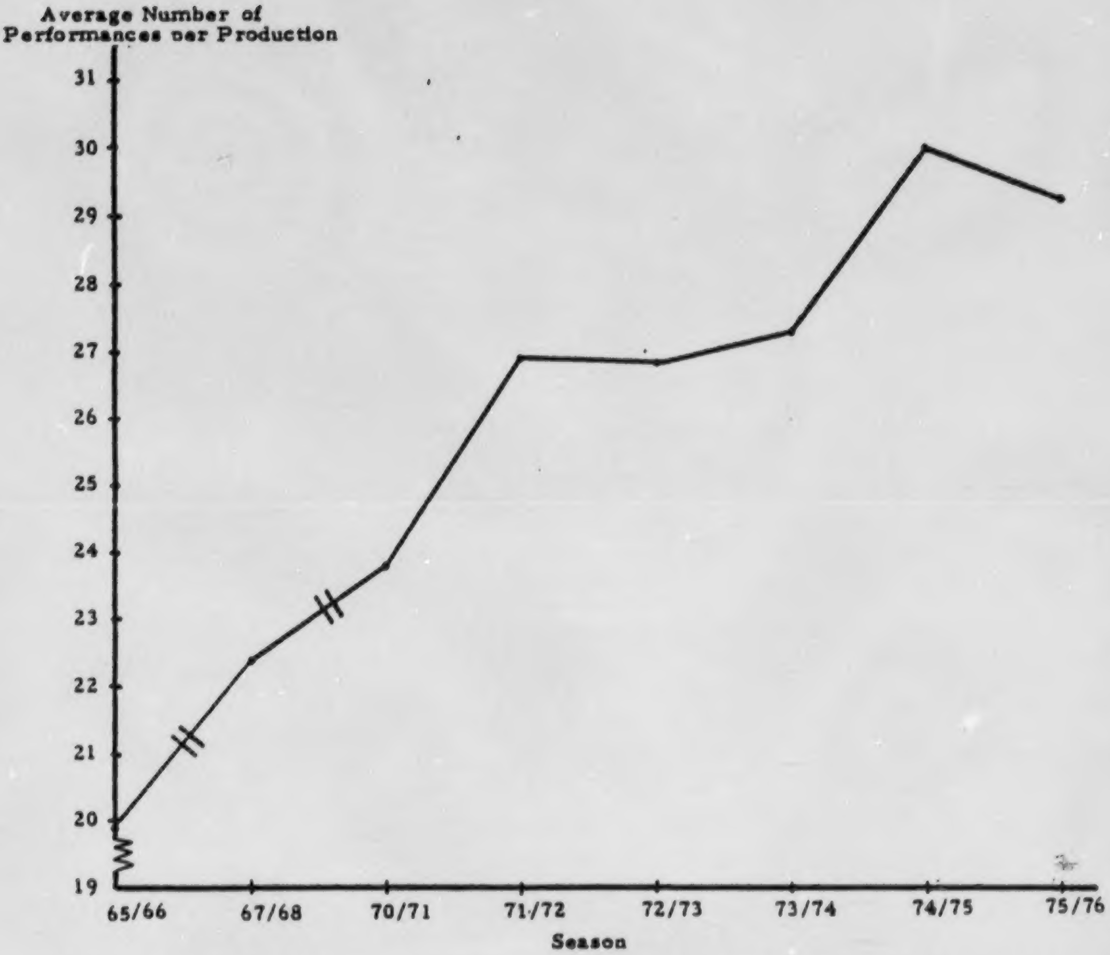
This combination of rough constancy in the number of productions with gradual increase in the number of performances means that individual productions are being performed a greater number of times. This is clearly shown in Figure II-4 below, which shows the average number of performances per production (computed by dividing total performances by total productions). As can be seen, the average number of performances per production increased from approximately 20 during the early years of the period to 27 by the end of the period covered by our data.

The pattern shown by Figure II-4 is an extremely interesting and potentially important one, as we shall see in a subsequent chapter. In particular, it shows one way in which the not-for-profit theatre has combatted the cost disease. With every production, there are certain fixed costs, including costume costs, scenery costs, directors' and designers' fees, etc. By increasing the number of times each production is performed on the average, these fixed costs are spread over a larger base. Clearly this should contribute to controlling costs. We note, however, that there may also be some sacrifice of.artistic objectives if fewer works are tested in actual production. There may also be a greater tendency to play to more popular tastes, as a longer run can only be had economically if there is an adequate audience.

The data we have just examined thus lead to the conclusion that there has been rough constancy of production activity but an expansion of performance activity in the larger regional theatres.

Figure II-4

Average Number of Performances per Production - All Productions
30 LORT Theatres
1965-1975



Source: Ford Foundation, Survey of the Finances of Performing Arts Organizations and Theatre Communications Group, Fiscal Survey.

2. Broadway

Broadway theatre is comprised currently of 39 theatres that operate under Actor's Equity Association's Production Contract. Most of the productions presented in these theatres are presented on a for-profit basis. Last season the 39 Broadway theatres produced 63 plays for 10,776 performances to an audience of 8.8 million, as Table II-2 shows. At least 75% to 80% of the plays and musicals used by all other theatres in the country have had a Broadway run.[1]

Table II-2

Broadway Theatres
Activity and Facilities - 1976-1977

Number of theatres	39
Number of productions	63
Number of performances	10,776
Seating capacity (indoor)	49,000
Size of average theatre	1,256
Total attendance 1976-77	8.8 Million

An examination of selected indicators of Broadway theatre activity shows two interesting features. First, data over this entire century (Figure II-5) show that the number of productions mounted on Broadway grew until 1928, and then declined between 1928 and the early 1950's. Since the early 1950's, the number of productions has been roughly constant. The second observable pattern in Figure II-5 is sharp year-to-year swings in activity. These may be partially ascribable to the fact that we are dealing with very small numbers, and each season's activity depends on

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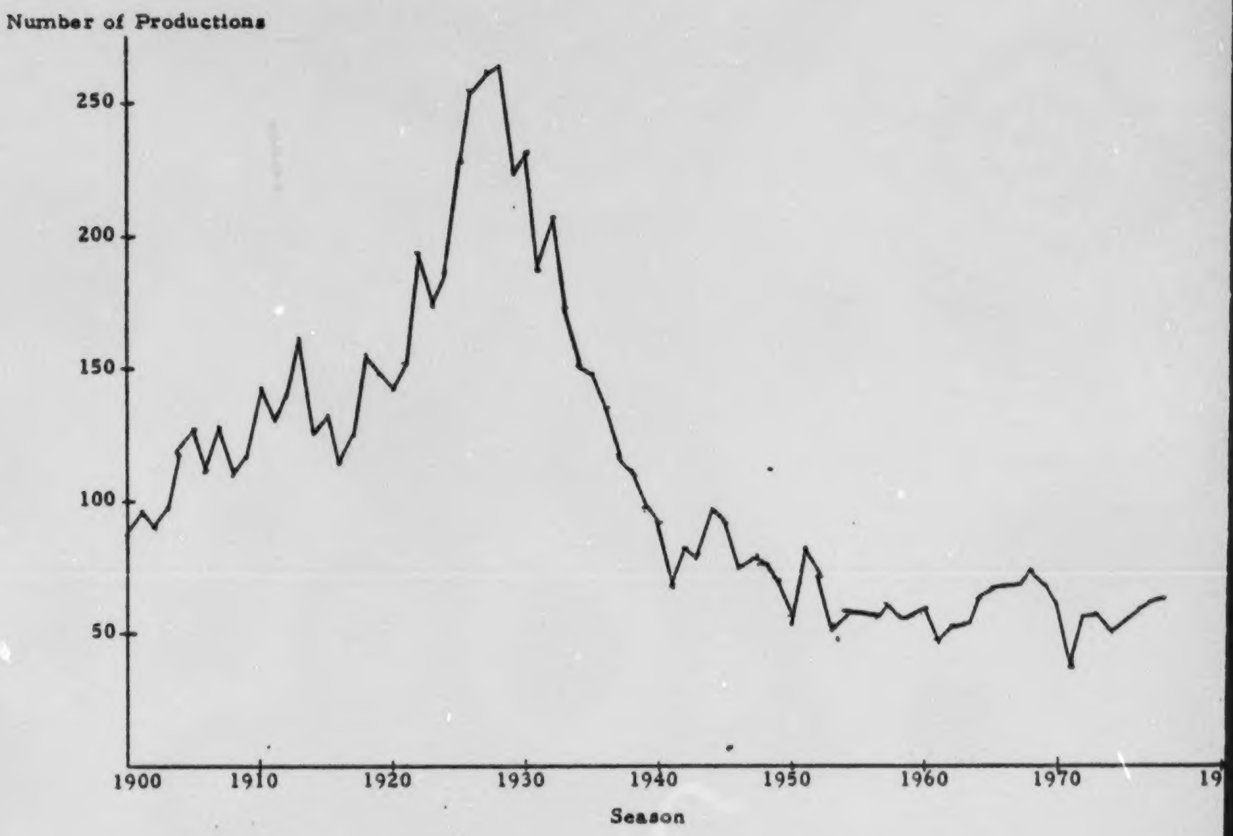
[1] Estimated by the League of New York Theatres and Producers. This does not mean that these plays originated on Broadway. It does mean that they were played on Broadway at least once.

Figure II-5

Total Number of Productions per Season Playing on Broadway, 1900-1977



Source: Variety, June 8, 1977

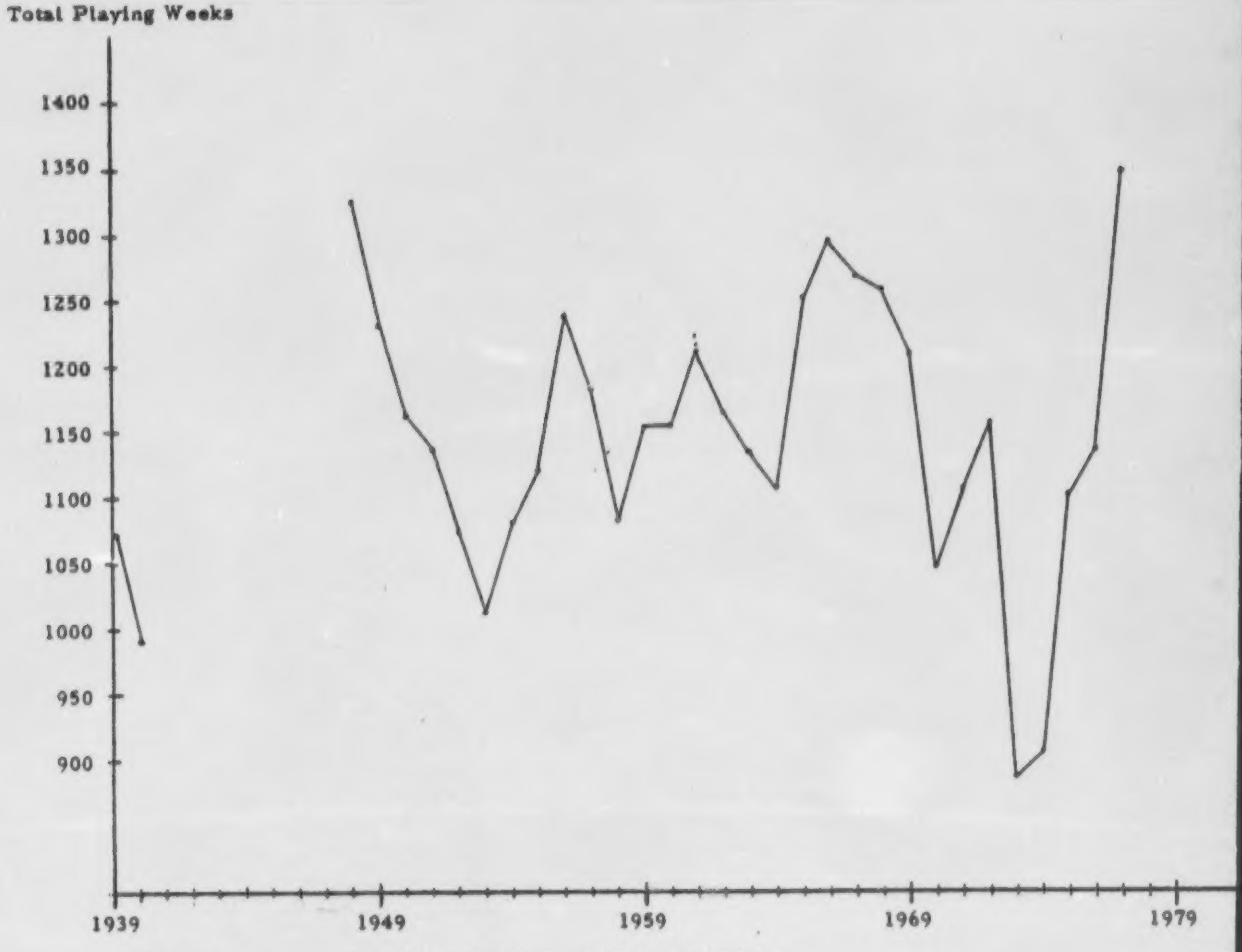
unpredictable variables such as the availability of capital, and the decisions of relatively few people as to whether or not to mount a production.

The number of performances per year is probably the best barometer of public interest because, unlike yearly grosses, it is unaffected by inflation. They simply show how many weeks of theatre the public was willing to support. Figure II-6 shows total playing weeks on Broadway (8 performances per week) since 1948. Variety starts reporting the figures, after a gap for World War II, with the previous high point of 1,325 playing weeks in 1947-48. From then on the number fluctuated sporadically between a high of 1,295 in 1966 and a low of 1,012 in 1953, until the catastrophic 1972-73 season which had only 889 playing weeks. This was followed by an immediate upturn, and 1976 1976-77, with 1,347 playing weeks, roughly 10,700 performances, was the best year on record. The present year is widely reported to be even better with every Broadway theatre in operation and productions waiting for any vacancy. More seats have been crowded into the old theatres since the previous high points of the '20's, and performances are given in the summer thanks to the installation of air conditioning, so that there is a potential for more performances and larger audiences than ever before.

What these figures seem to indicate -- fewer new productions but record audiences -- is that Broadway financial backers, no doubt because of the terribly high cost of mounting a production, are being very careful about incurring risks, and going into only a few, promising ventures. As we shall see in Section D of this chapter, they are using more and more material that has been tested in the Regional and Off-Broadway sectors. Whatever the reasons, despite continued business stagnation, the ills of the inner city, the flight of population and the rising costs of theatre attendance and associated services such as taxis and restaurants, the public is again flocking to live theatre.

Figure II-6

Broadway Total Annual Playing Weeks
1938-1939 - 1976-1977



Note: There was a gap in the data between 1939 and 1947.
Source: Variety, June 8, 1977

3. Beyond Broadway

In addition to its 8.8 million admissions in New York City, the Broadway complex reaches beyond local Broadway performance and supplies the rest of the country with pre-opening tryouts, traveling "road" companies of current or recent shows and special touring productions adapted for multi-purpose auditoriums in smaller population areas. In the 1976-77 season, these combined activities accounted for approximately 14.7 million paid admissions. It is an interesting comparison that the total sale of theatre tickets in New York City -- Broadway, off-Broadway and off-off Broadway combined -- was only about 10 million.

The country beyond New York City is also served by touring companies from professional non-profit theatres which last year accounted for approximately 1.5 million admissions. These, along with their parent, non-profit regional theatres and numerous small, professional theatres are discussed in other sections of this report.

The modern "Road" is an ingenious three tiered network designed to bring live theatre to large and small population centers that have suitable performing space. Broadway theatre clubs which sponsor local performances are common, and both professional managers and unpaid volunteers book attractions into their communities, selecting the kind of production that suits their needs.

The first tier in the network is composed of National Touring companies. These are the deluxe operations. They are lavish productions, comparable to the Broadway original, that are staged, cast and rehearsed by the original producers, often while the show is still running on

Broadway. They are booked mainly into the key cities for at least a week or for as long as business remains brisk. Everything travels -- cast, crew, musicians, sets, props and even lights if necessary. They now command ticket prices that sometimes equal New York prices, and work against a guarantee of about 75% of capacity attendance.

The Independent Booking Office is the chief distributor of the national tours. Last year they circulated 8 musicals and 9 straight plays for 356 playing weeks (2,848 performances) and 292 playing weeks (2,335 performances) respectively. They estimate that there are about 140 theatres in 34 states and the District of Columbia that can handle productions of such size and complexity. In fact, however, the number of cities that can sustain a financially viable run of the increasingly expensive major productions seems to be shrinking, and most of these theatres are used for other purposes or are not used at all.

The second tier in the Road network is composed of Bus and Truck companies operating on a split week basis. During the last 10 years or so specially mobile operations have been developed to serve smaller population centers that have performance space. The sets, lights, etc., can be struck in 2 or 3 hours and loaded on a truck which then drives to the next booking. A bus or two go along with the cast and the crew.

Theatres that can sustain at least a three-day run, or have less sophisticated theatrical facilities, will book a "split week" production. They get a full restaging of a successful Broadway show. Production costs for a musical recently ran to about $500,000. The producers do their own booking, and get a guarantee of 50 percent or 60 percent of capacity which ma or may not include local expenses and advertising. Operating costs are roughly similar to Broadway costs. There is some saving on designers fees, royalties, and rent, but transportation costs must be built into the packages, and there are hotel and restaurant expenses for the personnel.

A third tier in the Road network is the Bus and Truck companies doing one-night stands. Here the set is "softer" than the usual one, and can be struck in an hour or two. The company can play in six different places in one week, proceeding to the next stop after the show. The theatre pays a straight fee rather than a guarantee or a percentage.

There are important differences from the "Road" of the past. The productions themselves are still principally profit-making (or seeking) enterprises, but only 37 of the 309 theatres where they play are still privately owned. These are usually exclusively theatre houses. Most of the remaining houses except for some municipally renovated old theatres, are multi-purpose halls used for music, dance, rock attractions, movies, conventions, meeting and community activities, 87 are college or university-owned facilities, and 185 (60 percent) are civic centers. Table II-3 shows these interrelationships and gives their geographical dispersion. There are "Road" houses in 43 states of the union, a degree of dispersion surpassed only by the summer stock theatre and small grass roots theatres.

Much of our data for estimating activity came from the Variety reports of box office grosses in the "key cities" (Los Angeles, Washington, Chicago, Boston, Detroit, San Francisco, Philadelphia, Baltimore, Miami, Dallas, Cleveland, St. Louis, Wilmington and Pittsburgh) which include both tryouts and touring productions. While they share the same theatres as touring performances, tryouts take place in only a very few of the theatres which are well-equipped and have established audiences. They are being supplanted by less expensive ways of testing audience reaction before an official Broadway opening. Touring operations on the

Table II-3

Facilities Suitable for Broadway Tryouts and/or Touring Operations

Region 1/	Number of Civic Centers	Capacity 2/ (Avg. 2,640)	Number of College Facilities	Capacity 2/ (Avg. 2,525)	Number of Commercial Theatres	Capacity 2/ (Avg. 1,814)	Total Theatres	Total Capacity
Middle Atlantic	29	75,777	11	15,950	7	12,597	47	104,324
Northeast	4	9,100	4	6,525	5	8,118	13	23,743
West North Central	16	42,384	13	21,056	3	7,359	32	70,799
South Atlantic	35	87,017	15	27,821	3	4,900	53	119,738
Mountain	11	21,247	7	12,150	1	1,814	19	35,211
East South Central	17	44,080	3	7,575	-	-	20	51,655
Pacific	19	49,541	4	9,621	10	18,768	33	77,930
East North Central	34	84,606	17	48,478	8	14,750	59	147,834
West South Central	20	48,362	13	34,090	-	-	33	82,452
Total	185	462,114	87	183,266	37	68,306	309	713,686

1/ Listed below are the states included in each region:

Middle Atlantic: New Jersey, New York, Pennsylvania, New York City.
Northeast: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont.
West North Central: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota.
South Atlantic: Delaware, Washington, D.C., Florida, Georgia, Maryland, N. Carolina, S. Carolina, Virginia, W. Virginia.
Mountain: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming.
East South Central: Alabama, Kentucky, Mississippi, Tennessee.
Pacific: Alaska, California, Hawaii, Oregon, Washington.
East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin.
West South Central: Arkansas, Louisiana, Oklahoma, Texas.

2/ Those not reporting capacity were calculated at average size.

Sources: Actual 1976-77 itineraries of touring companies, records of booking agents, and interviews. The capacity of many theatres comes from The National Directory for the Performing Arts and Civic Centers.

other hand, are increasing the combined activities shared by a common audience of about 11.4 million. The 3.3 million attendances to bus and truck operations represent an industry that grew up during the 60's to supply the demand made effective by the construction of new civic centers and college auditoriums.[1] Using the 1976-77 itineraries of most of these productions, we estimated that there were approximately 1,600 performances in that year.[2]

Table II-3, which is a compilation of 309 facilities that are suitable for use by travelling companies, combines those theatres actually used in the 1976-77 season with supplemental lists from sources listed in footnote 2 of the previous page.

Thomas Moore[3] pointed out that, "Before World War I Broadway existed largely to supply the Road with shows. Productions were launched in New York and Chicago with the intention of trying them out. After a relatively short run, they were sent on tour." Moore concluded that in the 1960's the situation had been completely reversed, and he foresaw "an unhealthy future for the Road." Indeed, Broadway-type performing activity outside of New York declined markedly in the 50's and 60's, reaching a low of 643 playing weeks by the 1964-65 season.[4] This is shown in Figure II-7. It also shows that the trend has reversed since

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[1] Estimates for attendance at bus and truck operations were made by assuming 80% attendance at each performance.

[2] We wish to thank the following for their cooperation: The League of New York Theatres and Producers, Independent Booking Office, Inc., American Theatre Productions, Inc., Columbia Artists, Genimi Artist Management, Emanuel Azenburg, and as usual, Variety, which summarizes key city activity. Any omissions were inadvertent.

[3] Thomas Moore, p. 95.

[4] Op. cit., p. 96.

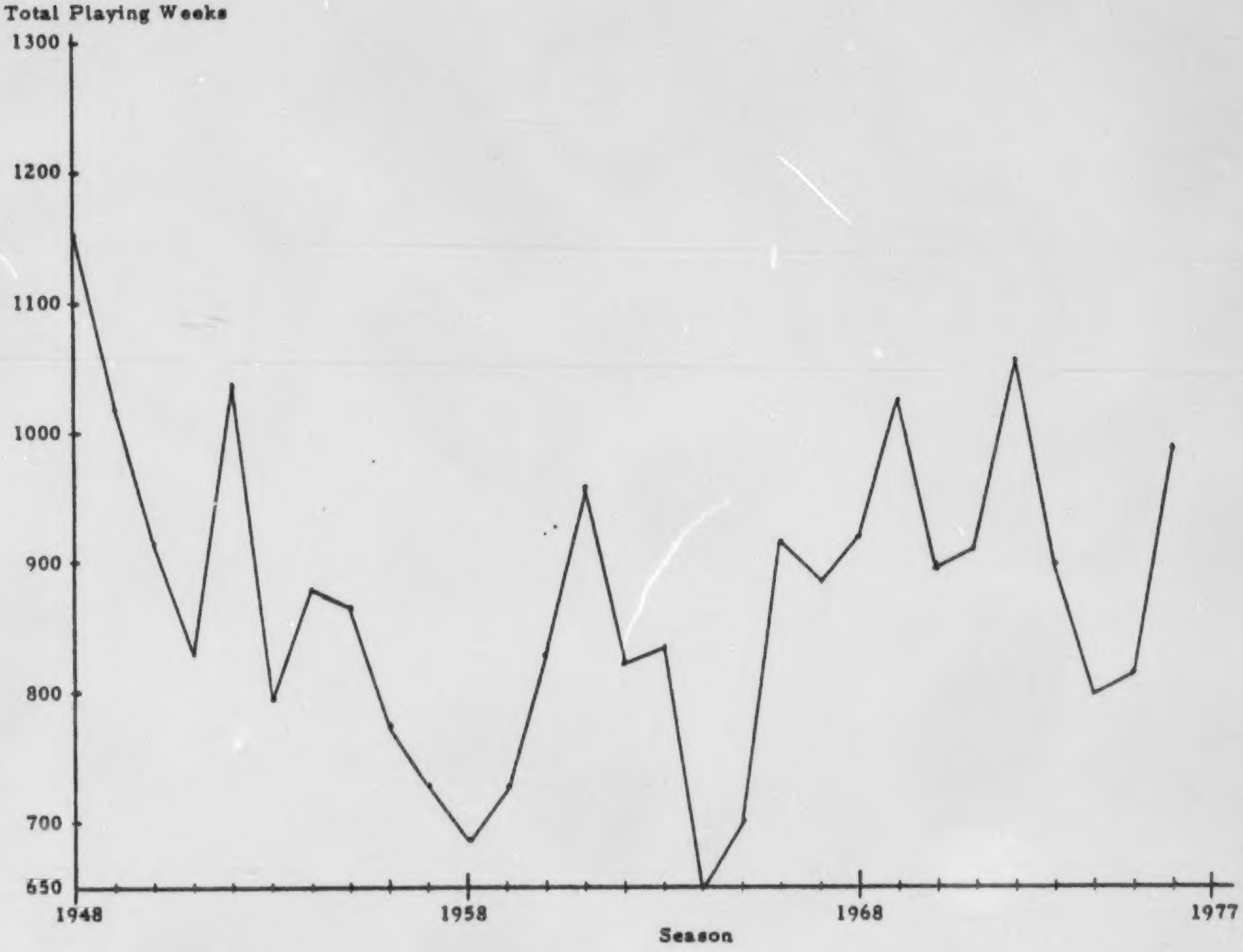
61

1964-65, and we shall see in Chapter III that the Road is now grossing almost as much as Broadway. There are four reasons for the recent upswing in Road activity:

- There is a large market for plays that have had successful runs on Broadway, and the "Road" has profited from its recent resurgence. In fact, where previously a producer would wait until he was well into his Broadway run before mounting a traveling show, the tendency now is to get as many companies out on the road as soon as possible to help offset the enormous costs of Broadway production.
- The building boom of the 1960's created a supply of large, modern theatres and auditoriums where performances can take place. The median theatre built within the last 10 years has about 500 more seats than its earlier counterpart. They are considerably larger than Broadway houses, which may explain their relative higher profitability.
- The "Road" industry has been expanded by the entry of bus and truck operations and not-for-profit touring companies.
- The public throughout the country have been educated to the idea of live theatre, very possibly through the audience building efforts of the not-for-profit regional theatres, and at least some cities are now willing to pay virtually as much as Broadway audiences for top-flight productions

Figure II-7

Road Total Annual Playing Weeks - Key Cities
1948-1977



Source: Variety

Of particular interest among these four factors, in light of the persistent complaints from many producers and citizens in many geographical areas that the stock of theatres is both insufficient and in a deteriorating condition, is the role played by the building boom. Before the building boom of the 1960's, performances took place in small, aging, privately owned theatres, often located in the decaying center of the city. In smaller cities they took place in movie houses, rented Masonic Temples, school auditoriums, etc. The influx of federal funds for colleges and universities and state and local expenditures on civic centers created a brand new stock of large, modern theatres and multi-purpose auditoriums which found waiting a large, unsatiated market for live professional performance of popular Broadway productions.

The managers we spoke to were unanimous in their belief that there is always a market for proven material -- usually successful Broadway shows -- while there is a scarcity of such material. They also maintain that hit plays which attract a mass audience cannot be written to order, and that there are not enough suitable houses in operation to satisfy the potential demand even for this limited supply. The new theatres built in the 60's, which were typically funded by public subscriptions and municipalities, often through the leadership of the local Arts Council, have begun to fill this need. Incidently, space in civic centers is leased at prevailing market rates, and such rentals can be a profitable operation for the municipality..

As we will see in Chapters III and IV there is evidence that Road activity follows Broadway activity with a lag of about one to two years, probabl because it takes that long to put shows on the road. From this observation, it follows that such activity tends to be cyclical. Indeed, we see direct evidence of this in Figure II-7, which shows that Road activity has experienced sharp swings over the period. These observations, as we mentioned earlier, are for key-city activity on which data are available from Variety. There are no comparable data on bus and truck operations.

In sum, there has been a modest up-trend in key-city performance of tryouts and touring operations, starting from the mid-1960's. This trend, we believe, is attributable both to the additional space that has become available and to increased popularity, and larger supply of proven Broadway shows. We do not know the extent to which additional physical expansion and an increased number of shows with popular appeal would foster further increases in activity.

The truck and bus operations constitute a substantially new industry that was developed to meet the requirements of the large, multi-purpose performing spaces that characterize the construction of the 60's. According to theatre sources, it is no longer growing to any substantial degree.

4. Dinner Theatre

The dinner theatre started to expand in the early 1970's, and is one of the largest sources of employment for actors, according to Actors' Equity. They are run for profit, often by small entrepreneurs with experience in the food or theatre business, who are reluctant to disclose details of their operations. Our data on the dinner theatre are therefore incomplete. There seems to be an extremely high attrition rate among them, but after about six years, during which this industry has burgeoned, it remains a popular and widespread activity with many well-established enterprises. We must conclude, therefore, that it has proved attractive to investors and patrons.

Well over half the dinner theatres charge something in the $9 to $13 range for a full evening's entertainment including dinner, a fully staged live performance and parking. The price is very competitive, and profits are usually made on sales from the bar. There seems very little doubt that dinner theatre is attracting a new kind of audience to live performances. The theatrical fare is light, consisting almost entirely of musicals and comedies. It is a highly important new industry, and many of them in areas where live theatre has not previously flourished.

We counted 67 companies who have contracts with Actors' Equity and 61 others, listed in Shull's Dinner Theatre directory. [1] All of them, whether Equity houses or not, are run for-profit. Because of the high attrition rate of dinner theatres, we worked with the League of New York Theatres and Producers to get up-to-date information. We calculated the median size of house as 290 seats. The average number of productions was 10 per year. As an average attendance of about 75 percent of capacity is usually necessary for an operation to remain in business, we estimated yearly attendance as 80 percent attendance in each theatre for 52 weeks at 6 performances per week. In most cases we had the actual seating capacity and annual number of productions, but where this was missing we assigned the 290 seat median house as an average seating capacity.

With this reasonably conservative calculation, we arrived at an annual attendance for 1976-77 of almost 11.1 million at 32,000 performances.

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[1] Dinner Theatres, a Leo Shull Publication, 136 W. 44 Street, New York, NY 10036.

This is certainly an underestimate, as there seem to be many other local dinner theatres throughout the country which we could not identify. Dinner theatres do at least some informal swapping of successful productions and touring among themselves, but their productions are usually unsuitable for use in different types of theatres.

There is some reason to suspect that dinner theatre is a spontaneous, grass-roots effort to provide a local version of dinner and a Broadway show for those who live in areas where the opportunity has not existed. Geared to the middle-class audience, dinner is usually served buffet style, and, in keeping with the modest price, fairly simple. Drinks can be purchased separately. The fare is almost exclusively Broadway musicals and comedies, which are often reviewed in the local press. William Gardner who runs the small but extremely prestigious Academy Festival Theatre in Lake Forest, Illinois, says, "As a theatre that is attempting to do the classics and more difficult modern plays, we find our audience is growing, and we find them coming from dinner theatre. They are people who left their television sets to see television stars and old-time movie stars in dinner theatres. If the experience of going to the theatre has been a pleasurable one, they will try other theatres."

Table II-4 gives the geographic breakdown of dinner theatres. Interestingly enough, they are more concentrated in the south Atlantic states and the midwest than in the traditional theatre markets of the northeast and the Pacific coast -- an indication that they are attracting new audience for live performance. Slightly more than half have Actors' Equity contracts. Well over half of them draw on areas with a population of less than 1 million in a 100 mile radius, and they are usually located on the fringe of a city or in its suburbs.

Table II-4

Dinner Theatres - All U.S. - 1977

Region [1]	Number of Theatres: With Equity Contracts	Number of Theatres: Without Equity Contracts	Annual Number of Performances	Annual Number of Productions	Total Capacity	Attendance
Middle Atlantic	7	12	4,750	190	5,155	1,286,688
Northeast	6	5	2,750	110	5,649	1,409,989
West North Central	9	2	2,750	110	4,094	1,021,862
South Atlantic	15	20	8,750	350	10,434	2,604,326
Mountain	6	5	2,750	110	3,557	887,826
East South Central	1	6	1,750	70	2,201	549,369
Pacific	5	2	1,750	70	2,429	606,278
East North Central	11	4	3,750	150	5,864	1,463,653
West South Central	7	5	3,000	120	5,223	1,303,660
Total	67	61	32,000	1,280	44,606	11,133,651

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[1] Listed below are the states included in each region:

Middle Atlantic: New Jersey, New York, Pennsylvania, New York City.
Northeast: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont.
West North Central: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota.
South Atlantic: Delaware, Washington, D.C., Florida, Georgia, Maryland, N. Carolina, S. Carolina, Virginia, W. Virginia.
Mountain: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming.
East South Central: Alabama, Kentucky, Mississippi, Tennessee.
Pacific: Alaska, California, Hawaii, Oregon, Washington.
East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin.
West South Central: Arkansas, Louisiana, Oklahoma, Texas.

Sources: Actors' Equity Association, Shull's Dinner Theatres, and interviews.

A large dinner theatre hires 50 to 60 part-time people, many of them students, as technicians, actors, waiters, etc. In addition to the usual restaurant staff, a dinner theatre requires 2 to 4 additional full-time people at the box office. They are open all year and operate an average of 6 nights per week.

5. Summer Theatre

Americans seem to like to attend the theatre in the summer. We estimate that there were over 13 million paid admissions to purely summer enterprises in the 1976-77 season.

A variety of purposes are served by summer stock. Aside from its function of selling entertainment, it is traditionally the area in which neophyte actors and other theatrical professionals get experience and credits. Scattered "benefits" studies indicate that summer theatrical activity contributes to the economies of surrounding areas, and the large musical tents and other theatres in resort areas, many of them profitable enterprises, do a thriving business.

Summer theatre is found in almost 400 locations on college campuses, in huge outdoor facilities in large cities, at historical sites and religious centers, and serving summer resorts -- virtually every corner of the country. The fare ranges from classical and avant garde drama on college campuses, through the 14 or so Shakespeare festivals, to touring packaged productions of older Broadway plays starring television personalities and movie stars, and includes an absolute deluge of that indigenous American art form -- musical theatre. We will discuss summer theatres, in general, and then single out musical theatre arenas, tents, and outdoor theatres seating 1,000 or over, and historical and religious pageants for special attention.

a. General Summer Stock

There are 63 theatres that have summer stock contracts with Actors' Equity. Besides these, it is difficult to find information on the number of such theatres, their geographical distribution, size, professionalism, and level of activity. There are, however, two handbooks that are published as guides for those seeking summer employment, from which we could extract a good deal of information.[1] Using these sources, and through interview data with various theatres, we compiled the data summarized in Table II-5, which, while no doubt incomplete, are at least an indication of summer stock activity throughout the country. We found 310 theatres in this category, and they were attended by almost 5 million people in the 1976-77 season.

Only about 20 percent of the total number of summer stock theatres have contracts with Actors' Equity, and many of these are operated for profit. Less than half of the others gave information on salaries, and only a third of those giving such information said that they pay the participants something. There is an ample supply of young would-be professionals willing to work for nothing or very little, as such experience is virtually required to join Actors' Equity and enter the profession.

Close to half of the summer theatres are based at colleges and universities. Some of them operate as classes for advanced students and actually charge tuition. Others provide a large range of theatre from fully professional to resident groups built around one or two members of Actors' Equity. Another 20 percent are a wide assortment of non-profit theatres ranging from highly professional, respected companies to teenage summer schools. About an equal number are for-profit theatres, many of which mount few or none of their own productions, but present 10 to 12 one-week runs of specially packaged traveling productions of old Broadway shows, often with a television personality or a movie star as a drawing card. The rest proved too dificult to categorize. Because of prohibitive costs, there are very few for-profit summer theatres left that stage their own productions, although many do at least one per season.

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[1] Summer Theatres, a Leo Shull Publication, and 1977 Summer Theatre Directory, American Theatre Association, Inc., Washington, D. C.

Table II-5 gives the geographical distribution of these theatres. As is to be expected, college theatre is strong almost everywhere, and theatres without academic affiliation are concentrated in the resort areas of the east coast and the north central states. There are summer-stock theatres in 48 of the 50 states.

b. Summer Musical Theatre

Musical theatre is a purely American art form. It is our most popular cultural export, with plays like "Godspell," "Hair," and "Fiddler on the Roof" having been performed in many languages in many countries. Yet it is not highly respected at home. Tom Hughes, the impressario of Dallas Summer Musicals, Inc., a municipal outdoor musical theatre distinguished for its splendid productions and the fact that it plays to

Table II-5

Summer Stock Companies

Region 1/	No. of College Sponsored Companies	No. of Non-Profit Companies	No. of Commercial Companies	No. of Other Companies	Total No. Summer Stock Companies	Total Capacity All Companies	Estimated Attendance	No. of Equity Companies	% Equity Companies
Middle Atlantic	21	14	22	11	68	35,342	1,236,970	19	28
Northeast	15	17	16	11	59	22,822	798,770	20	34
West North Central	21	4	4	2	31	12,783	447,405	1	.03
South Atlantic	20	12	1	1	34	21,726	760,410	6	15
Mountain	12	1	5	6	24	9,172	321,020	2	8
East South Central	4	1	-	3	8	3,725	130,375	1	.13
Pacific	11	6	1	2	20	7,219	252,665	1	.5
East North Central	29	9	16	5	59	25,048	876,680	13	22
West South Central	7	-	-	-	7	2,850	99,750	-	-
Total	140	64	65	41	310	140,687	4,924,045	63	

1/ Listed below are the states included in each region:

Middle Atlantic: New Jersey, New York, Pennsylvania, New York City.
Northeast: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont.
West North Central: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota.
South Atlantic: Delaware, Washington, D.C., Florida, Georgia, Maryland, N. Carolina, S. Carolina, Virginia, W. Virginia.
Mountain: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming.
East South Central: Alabama, Kentucky, Mississippi, Tennessee.
Pacific: Alaska, California, Hawaii, Oregon, Washington.
East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin.
West South Central: Arkansas, Louisiana, Oklahoma, Texas.

Sources: Actors' Equity Association, Shull's Summer Stock and the ATA Summer Theatre Directory.

about 200,000 people per season, reports resignedly that in a recent reorganization of civic services he looked in vain for his organization under "cultural activities," and found it instead listed under "parks and recreation." Musical theatre, however, is evidently beloved by the people -- about 6.6 million of whom attended performances in 30 such large summer theatres last season.

We found 30 theatres that have over 1,000 seats and devote themselves to musical theatre. The largest is the St. Louis Municipal Opera which sells out its 11,475 seat outdoor proscenium theatre completely once or twice a year. About a half dozen of these, notably the huge municipal theatres of the midwest, are non-profit operations backed up by private citizens who act as guarantors. Business is good, barring inclement weather, and the guarantors are seldom called upon to contribute financial support.

There are two privately owned and operated chains -- the John Kenley players in Ohio and Music Fair Enterprises in the middle Atlantic region. Most of the others are privately run summer musical theatres. A new non-profit, 3,000 seat facility will open next season in Tulsa, Oklahoma.

The season is typically 10-12 weeks, except for the 4 Music Fair hardtops which run 40 weeks each. Virtually all are full Actors' Equity operations. Ticket prices are surprisingly low, from $2 to $12 or $13. Most of the houses keep under $10 top, and John Kenley charges only $4.95 per head.

Most places do some production, at least occasionally, and they all construct their own scenery locally. Prices range from $1 million for a production equal to Broadway on a proscenium stage to $500,000 or $600,000 in an arena stage. Running costs are about $20,000 to $30,000 per week, and there is almost always a star heading the cast. There is a good deal of sharing of productions among these companies, although sets are not exchanged. Only the company travels. Music Fair Enterprises estimates that a production can last anything between two weeks for the occasional failure to two years, and have on occasion, brought popular attractions to Broadway.

This type of operation is interesting for several reasons. It can be profitable, no doubt because of the huge facilities in which performances are given. The municipal musical theatre houses are old established community services -- about as grass roots as theatre gets. The whole operation would languish without a constant supply of new material from Broadway, but productions are always mounted outside of New York City. Typically, the musical tent casts in New York, Chicago, California or locally, builds its own sets, markets its own products, and attracts visitors, thus passing on many economic benefits to their communities.

Table II-6 gives details of their size and distribution, which is mainly in summer resorts of the northeast and the midwest. It is particularly interesting that they are able to serve so large an audience in what is essentially a short, summer operation. Unlike many of the other estimates of audience and activity in this chapter, this one is based almost completely on actual attendance figures.

c. Outdoor Amphitheatres - Historical and Religious Pageants

There are about 53 large amphitheatres performing a single great pageant which plays every night. The subject is historical drama on local themes, or something which sounds startling, like the medieval passion play.

Table II-6

Short Season Musical Theatres with Seating Capacities Over 1,000 (Outdoor Arenas, Tents and Hardtops)-1977

Region 1/	Number of Facilities	Length of Season-Upper and Lower Bounds	Number of Performances	Total Capacity	Estimated Attendance
Middle Atlantic	7	10-40	978	22,748	2,289,529
Northeast	7	9	478	15,581	588,508
West North Central	2	10	134	19,333	903,507
South Atlantic	4	4-40	720	12,172	1,510,352
Mountain	-	-	-	-	-
East South Central	-	-	-	-	-
Pacific	1	13	78	3,000	117,000
East North Central	7	11	575	20,160	917,422
West South Central	2	11	144	5,216	254,480
Total	30		3,100	98,210	6,580,098

1/ Listed below are the states included in each region:

Middle Atlantic: New Jersey, New York, Pennsylvania, New York City.
Northeast: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont.
West North Central: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota.
South Atlantic: Delaware, Washington, D.C., Florida, Georgia, Maryland, N. Carolina, S. Carolina, Virginia, W. Virginia.
Mountain: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming.
East South Central: Alabama, Kentucky, Mississippi, Tennessee.
Pacific: Alaska, California, Hawaii, Oregon, Washington.
East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin.
West South Central: Arkansas, Louisiana, Oklahoma, Texas.

Sources: -Actors' Equity Association and interviews.

The Institute of Outdoor Drama (IOD) gives detailed information on 40 such theatres. In 1976-77 (the previous year for 2 cases where current attendance figures were not yet available) the theatres presented an average of 51 performances each, and the audience numbered a total of 1,714,963 people.

We added to this category 13 Shakespeare Festivals in 11 states (Texas and California have two each), which operate in the summer. We did not have enough data to estimate their activities and attendance.

6. Off-Broadway

Technically, Off-Broadway covers 25 or 30 houses in Manhattan outside of the theatre district with seating capacities under 300, which operate under Actors' Equity Off-Broadway contracts. Like Broadway, it has been traditionally defined in terms of real estate rather than on a resident basis, and theatres are available for indeterminate runs.

Off-Broadway is no longer a significant arena. In 1975-76, the last year for which we have figures, 46 productions were staged under this contract in two dozen different houses, but 23 were from non-profit resident theatres which have their main stages elsewhere in the city. Another 10 were staged by commercial producers. At least three successes from previous years continued their runs in 1975-76 -- "Godspell," which closed after 2,118 performances, "Hot l Baltimore," and the long-running "Fantastiks." On the not-for-profit side, the New York Shakespeare Festival's "For Colored Girls" moved to Broadway, and the Chelsea Theatre's "Vanities" settled down on off-Broadway for a long and successful run. Many other productions have disappeared after a performanc or two, leaving no trace in the record books.

In comparison with Broadway, costs on off-Broadway are lower, salaries are lower, the risk is smaller, and the potential financial return is smaller. Off-Broadway does, however, bestow some of the glamour of a Broadway run.

There has been much discussion of the reasons for the rise and precipitous decline of off-Broadway. The movement probably began in 1952 when the New York Times reviewed Circle in the Square's production of "Summer and Smoke" at a small theatre in Sheridan Square, and focused public attention on the exciting work that was being done away from Broadway. [1/]

Stuart Little writes, "Off-Broadway is defined by the variety of its uses. It is a showcase for new actors and directors, a place where new talent can be discovered. It is a place to revive Broadway failures and restore the reputations of playwrights who may have been ill served in the regular commercial theater. It provides the means of encouraging the growth of theaters that exist in time and so engage the loyalties of talented professions that they can develop continuity of production and a consistent artistic policy."

A dozen years later, under pressures on all sides to maximize returns, inflation, and invasion by traditional theatre elements, production costs had risen from $1,500 to $15,000 and weekly operating costs had tripled, going from $1,000 to $3,200. The widely criticized Actors' Equity contract which raised the off-Broadway minimum from $50 to $60

1/ Litttle, Stuart W., Off-Broadway, the Prophetic Theatre.

2/ Ibid., p. 229

per week may have been the last straw, but the tiny theatres could no longer support the burden of escalated costs. In 1964, activity on off-Broadway started to decline, and the contract has now become a convenient catch-all.

What about the functions outlined by Stuart Little? They have found a new home on off-off Broadway (see below) where the same economic battle is being waged.

7. Not-for-Profit Theatres with Budgets Under $250,000

This category of small budget theatres is the taproot of American, professional theatre, providing life, energy and sustenance to the entire complex. It is the arena where aspiring professionals are trained and seasoned, where many excellent small theatres feel comfortable, a laboratory situation for the most experimental, innovative and respected minds in theatre, a place where minority cultures and special interest groups -- Blacks, Chicanos, women, ethnic groups -- can dramatize their aspirations and develop their cultures at a low-cost theatre which the old and the poor can afford. It is different from community and school theatre in that participation is seldom an avocation, but a major commitment in the lives of those who pursue it. Neither does it have the transitory quality of summer stock. Those who work in the professionally oriented small theatre, while many of them must make their livings elsewhere, are dedicated primarily to the pursuit of artistic goals.

While the functions of small theatre listed above often involve the use of theatre to serve social or political ends, it would be wrong to conclude that this category does not include "real" theatre in every sense of the word. It is a part of this segment that is discussed in scholarly journals and represents the U.S. at international festivals. While audiences are typically small, they are often composed of other professionals who can adapt and popularize the innovations they have come to see. New plays, and innovations in direction, lighting, staging and performance can be tested with very little risk. Also, it is often engrossing theatre, and there are those who attend for the sake of the theatrical experience.

The work of tracing these theatres was simplified by the fact that it is virtually all a non-profit operation, and most organizations have at least applied for some sort of state or federal assistance. 1/ We have traced such theatres in the United States using the records of the Theatre Communications Group, Alternative Theatre, Grassroots Alternate Roots Directory, records of the National Endowment for the Arts, New York State Council and the Ford Foundation, and participants in the New York Theatre Development Fund (TDF) voucher program and its spin-offs in Buffalo, Boston and Chicago. The 208 small New York theatres accepted for inclusion in the TDF voucher program, which requires "professional aspiration," virtually define off-off Broadway. The other two important concentrations of about 50 each are in California (with two centers in Los Angeles and the Bay Area) and Chicago, both beginning to challenge the supremacy of New York in both for-profit and non-profit theatre and as the casting and production centers for the entire country.

1/ We have relied to some extent on the work of Jennifer Webster who is studying the contribution of these theatres for the Ford Foundation.

Altogether we have located 620 small theatres in 50 states and Puerto Rico; the geographic distribution of these theatres is shown in Table II-7. Below we discuss briefly those theatres located in New York and Los Angeles, which have been the subject of other studies.

a. Off-Off Broadway

The heart of the small theatre movement is still in New York City, and its 200 odd theatres form the internationally known off-off Broadway theatre.

In 1974 the Theatre Development Fund authorized a feasibility study of its new voucher program which was designed for the type of theatre.[1] Reliable performance and attendance figures were gathered for about a quarter of the off-off Broadway, Black and Spanish speaking theatres that were eligible for inclusion. In the 1973-74 season the median theatre was 100 seats, it had 6 productions per year, 95 performances, and a yearly attendance of 8,230.

Only a few of these theatres have operated over a long period of time, but in 1974 there was an enormous mortality among them because of a squeeze caused by inflation and limitations on box office prices required

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[1] MATHEMATICA, Inc., The Off-Off Broadway Theatre and Its Funding, (1974), unpublished.

Table II-7

Not-for-Profit Theatre with Budget of Under $250,000 Per Year, By Region

Region [1]	Number of Theatres
Middle Atlantic	272
Northeast	35
West North Central	24
South Atlantic	64
East North Central	69
West South Central	25
Mountain	27
East South Central	17
Pacific	86
Puerto Rico	1
Total	620

Listed below are the states included in each region:

Middle Atlantic: New Jersey, New York, Pennsylvania, New York City.
Northeast: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont.
West North Central: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota.
South Atlantic: Delaware, Washington, D.C., Florida, Georgia, Maryland, N. Carolina, S. Carolina, Virginia, W. Virginia.
Mountain: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming.
East South Central: Alabama, Kentucky, Mississippi, Tennessee.
Pacific: Alaska, California, Hawaii, Oregon, Washington.
East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin.
West South Central: Arkansas, Louisiana, Oklahoma, Texas.

by Actors' Equity. New theatres have sprung up to fill their place, and TDF now considers 208 different small theatres eligible for voucher payments (see Chapter VI). Since its inception, the number of participants has been:

1972-73	81
1973-74	127
1974-75	208
1975-76	192
1976-77	206

If we make the (unsubstantiated) assumption that each theatre still plays to the median audience of about 8,000 per year, we get a total audience in New York of 1.7 million for off-off Broadway, Black and Spanish speaking theatre.

It will be seen from Figures II-8 and II-9 [1] that this sector of New York theatre is a significant contributor of material to the for-profit stage. It is also the largest showcase for new plays in the country.

b. Los Angeles

In California, Professor John Cauble of the University of California at Los Angeles reported on theatres with seating capacity less than 99 which had had Actors' Equity requirements waived in 1972.[2] At that time Actors' Equity made it economically possible for these theatres to hire professional actors. Since then the number of theatres of this size has doubled, from 27 to 54. The number of productions has more than tripled, as has the number of plays produced by each unit. The average length of a season is 22.3 weeks, or 75 nights a year. They operated at 59 percent of capacity last year, or an average audience of 47 per night. The approximate calculations suggest a total audience in California of 190,000 for this type of theatre.

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[1] See pages II-57 and II-58 below.

[2] Cauble, John, "Equity Waiver Theatres," a Report, University of California, Los Angeles, September, 1976, unpublished.

8. Black and Chicano Theatres

One of the incredible pages of theatre history must be the development of the Black and Chicano theatre movement represented by The Black Theatre Alliance (BTA) during the 1960's and 1970's. The rise of Black consciousness, financial support from foundations, industry and the New York State Council on the Arts, and the emergence of several gifted Black playwrights all coalesced to spawn a welter of training programs, workshops, professional companies and community and street theatres run by Blacks, dealing with Black themes, and appealing mainly to Black audiences. This movement is entirely separate from the contributions of a large number of Black producers, performers, musicians, etc., who work in the mainstream of American theatre.

Chicano theatre operates mainly in California, Arizona, and New Mexico, and is allied with the BTA. It is more rural in character.

In the late 1960's the Black Theatre movement carried on a vigorous and novel audience development program organizing theatre clubs in the tri-state area around New York as well as the City itself, "outing" clubs which offered a night of dinner, theatre, and a once-a-year birthday bonus for each member, and price incentives which utilized the Theatre Development Fund voucher program.

At the present time there is a full-scale regional theatre, the Negro Ensemble Company in New York, which offers productions on black themes, and the latest BTA directory lists 106 companies in 25 states and the District of Columbia.[1]

A recent study of 25 representative companies gave their average age as 9.56 years (range 4 to 25 years old).[2] The average seating capacity of the 25 theatres was 355, and the average theatre produced 9.65 plays per year. These figures are not included in our summary table as many of the theatres are counted in other categories.

A visible contribution of the Black Theatre movement to American theatre has been the development of a Black audience which also attends standard theatrical productions. Much amateur performance activity is also reported in Black schools, using Broadway plays with Black themes, e.g., "Purlie Victorious" is a very popular vehicle.

9. Children's, Women's, Ethnic, Native American and Street Theatre

a. Children's Theatre

There is a small association of the major producers of children's theatre whose members can be counted on one's fingers. There is, however, an immense amount of theatre for children. Regional theatres, summer stock companies, and a whole gamut of small theatres produce special plays for in-house presentation or school touring. These audiences have not been counted in our tables, and it is impossible to estimate the extent of this form of theatre. It is certainly very large, and may well have had an important part in developing the burgeoning audiences for theatre that we have today.

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[1] Black Theatre, a Resource Directory, Black Theatre Alliance.

[2] Dr. John M. Goering and Terry Williams, Black Theatre and Dance in New York: A Study of the Black Theatre Alliance, Aug. 31, 1977 (unpublished).

b. Women's Theatre

Women work both in the mainstream of American theatre and theatrical activity dealing with the themes of the women's liberation movement. Women are represented among the most successful regional and off-Broadway producers. Some, like Zelda Fichandler, Vinnette Carroll and Ellen Stewart, have made their mark on both non-profit and for-profit theatre.

The special interest women's theatre is fragmented and has a high attrition rate, although it persists throughout the country. Its special problem is the one that besets women's organizations generally -- the reluctance of funding agencies to support them even at the level of other special interest groups.

The movement was probably started seven years ago when Lynn Laredo, formerly with the Open Theatre, produced "It's All Right to be a Woman." This was a production based on the participants' own experience, and was played hundreds of times to audiences of women.

At the present time there are probably about 15 women's theatres in New York City including the Woman Rite Theatre in its sixth year, New York Feminist Theatre Troup, Women's Theatre Company and Spiderwoman. It is estimated that there is a total of 100 such theatres throughout the United States. They are often collectives, producing a small number of plays based on their own material, have a lifespan of three to four years and play to communities of women.

c. Ethnic Theatre

Because of the language difficulty, much of ethnic activity is confined to music and dance. Even the once-great Yiddish Theatre in New York City, from which sprang famous directors, hit songs and movie actors whose names were household words, is reduced to a production or two per year, not always professional. The exception is Hispanic theatre, which, according to the New York Cultural Council, has 30 different groups in that city.

There is a compilation of ethnic theatre in New York City prepared by Sy Syna in February 1976. 1/ He finds no less than 75 drama groups representing 16 different ethnic groups operating side by side in the City. "If we admit solo artists performing dance-dramas, the total rises to 90, and with dance and music groups included, the grand total is approximately 150. And there may be more!"

The problem of performing in a foreign language is attacked in various ways. Some groups preserve a traditional art and, as in the case of traditional Peking Opera, perform in the original language in the traditional way. The Theatre of Russian American Youth performs translations into Russian of, say, "Charley's Aunt." Many Hispanic theatres play in Spanish and English on alternate nights. Some mix languages, an approach that must have reached a high point when the Chinese Group at La Mama presented "Midsummer Night's Dream" with the actors speaking either Chinese or English depending on their fluency. The Chinese Opera Club, which performs in Mandarin, has been successful

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1/ Wisdom's Child, February 23, 1976 issue, "Ethnic Theatre Flowers in New York," Sy Syna, pp. 8, 10 and 12.

with subtitles flashed on a screen. Some ethnic groups like the Irish Rebel Theatre and the Jewish Repertory Company work only in English.

d. Native American Theatre

At last report there were approximately 9 native American theatrical enterprises which are concerned with Indian problems and culture. They operate mostly in the Southwest (Arizona, California, New Mexico and Oklahoma), but there is also some activity in New York, Illinois and Seattle, Washington.

Part of the turbulence of the theatre in the 60's spilled out into the streets and parks, and impromptu and scheduled performances and street festivals brought dramatized social messages to the communities.[1] Practitioners ranged from the internationally-known Bread and Puppet theatre which fashioned grand papier-mache masks and baked bread to share with its audience in the streets of Coney Island, to community designed and performed presentations. Eventually, the movement came to be defined as community originated, street activity. It is represented by the Alliance for American Street Theatre.

Funding has fallen off in the 70's, but the Alliance still counts a membership of over 200 organizations, many of which have operating conventional theatres, and interested individuals, mostly in New York City.

10. School and Community Theatre

Amateur theatre -- live performance by non-professionals for local presentation -- consists of school dramatic groups and local community

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1/ For a fuller description see the Wall Street Journal, August 28, 1972.

theatre groups. Virtually all the plays presented are popular Broadway shows of previous years or plays from the classical repertoire.

The estimates of activity and attendance given in Table II-8 are based on information from Abbott Van Nostrand of the Samuel French Company. Their actual records of royalty payments, which are required for virtually every public performance, are far too voluminous to be of practical use, but Mr. Van Nostrand was kind enough to make the following estimates of amateur activity based on his long experience. Despite the vast numbers of performances and attendances involved, these figures are certainly on the low side. Using some semi-informed guesswork, we have made estimates of the size of the annual, nationwide audience based on those estimates, by making highly conservative assumptions as to the number of people attending each performance of school and community theatre.

Table II-8

Activity and Attendance -- all
School and Community Theatres

Theatre Type	Est. Size Avg. Audience	No. Theatres	Avg. No. Productions Per Year	Avg. No. Performances Per Year	Total Performances all Theatres	Total Attendance all Theatres
Community	150	2500	3	18	45,000	6,750,000
College	300	2500	3	12	30,000	9,000,000
High School	300	30,000	1	5	150,000	45,000,000

We also checked our estimate of the number of community theatres with the president and past president of the American Theatre Association (formerly the American Educational Theatre Association), and were reinforced in the view that our estimate of 2,500 is most conservative.

Community theatres charge between $2 and $5 for a ticket. School admissions range from nothing to $3 or $4. What is important is not the economic effect--although even that is felt locally by restaurants and local firms supplying materials for sets, props and costumes--but that so many millions of Americans, year after year, feel the desire to expend great amounts of energy in creating a live performance, and that so many millions more support their efforts.

This does not mean, of course, that 60,750,000 people attend amateur theatre. We can assume that many individuals attend more than one performance in a given year in any one institution, making the number of individuals only about 25 or 30 million.

C. Additional Indicators of Theatre Activity

The data we examined in the preceding section give information on the levels and trends of activities in different segments of the theatre. A few other indicators have come to our attention which cast some light on a miscellany of subjects, and they are grouped here only for convenience.

1. Summer Theatres - Growth Since 1969

Leo Shull has been publishing a summer theatre directory for 40 years. A short sampling reveals that simply by adding the entries for the relevant years, we got the following view of growth in this area:

	1969	1971	1973	1975	1977	% Increase
No. Companies	269	217	244	318	301	11%
No. States	34	38	41	44	45	32%

While there has been a modest increase in the number of summer theatres we can trace since 1969, their activity has spread to almost every state of the union.

2. Number of Plays Available for Use

The companies which handle royalty payments, particularly Samuel French Company, Brandt and Brandt, Music Theatre International and the Rogers and Hammerstein Memorial Library, maintain a list of properties available for use by amateur and professional groups. They list only plays that are still in demand. Estimated number of plays listed in these sources are shown below in Table II-9.

Table II-9

Number of Plays Available for Use by Performance Group

Year	Number of Titles in Samuel French Catalogue	Number of Titles Listed by Other Firms
1937	3900	
1954	3950	
1963	2700	
1966	2500	
1974	3000	
1977	3200	
1978	3950	200

Source: Samuel French Basic Catalogue of Plays, various years (number of titles estimated) and telephone reports.

3. New Plays by New Authors

There is a steady demand for new and proven plays and musicals. One indication of the health of the theatre is certainly the degree to which it can satisfy this voracious demand.

Naturally, each play written cannot be a popular success, but the only way this will occur is when writers feel it worth their while to develop their skills and talents over a period of years. The last decade has seen a veritable explosion in the performance of new plays.

We will not try to explain the reasons for this growth, but certainly the Rockefeller Foundation's efforts and the Office for Advanced Drama Research at the University of Minnesota, Rockefeller Foundation, O'Neill Center, and the Ford Foundation's New American Plays Program, which by May 1, 1977, had helped defray production expenses for 88 new plays have been catalysts. The other long-term effort has been the proliferation in the non-profit theatre of workshops, staged studio performances and programs designed to encourage and aid the fledgling dramatist. A beginning playwright, from the 60's on, could get his plays read, criticized and performed, either for the general audience or for other professionals.

The National Endowment for the Arts reports that in the 1976-77 season, the large professional companies applying to the program had produced an average of about two new plays each. The small professional theatre companies averaged nearly three new plays each, some of them with conventional scripts and others performance-pieces developed on a collaborative basis by the companies.

Donald Fowle, of the New York Public Library, has kept records of a large number of new plays produced throughout the country, including college and amateur theatre, for 10 years. While there seem to be various omissions outside of New York, his figures indicate that the number of new plays produced has more than doubled since 1969. While activity is increasing throughout the country, New York continues to be the main location where new material is presented, having over half the total. Also interesting are the large number of theatres involved. Each one mentioned presented an average of 2.75 new plays in 1977.

D. Relationships Between the For-Profit and Not-for-Profit Theatre

In the preceding sections of this chapter, and to some extent in the other chapters of this report, we have organized our discussion and analysis around specific types of theatre. We have emphasized particularly the distinction between for-profit and not-for-profit theatre. This organization may leave the impression that each operates in isolation from the others. Nothing could be further from the truth. To dispell this misconception, we examine briefly some information in this section which shows some of the relationships among different types of theatre. The information we will examine shows quite clearly that there is a great deal of sharing of facilities, works, and personnel in the theatre today.

We have emphasized in Section B that the artistic objectives of the theatre in America are diverse. This means that there is a great deal of variety in the kind of material developed and produced in the theatre. Yet there is also quite a bit of sharing of material (albeit sometimes treated differently) as between theatres that have adopted different approaches to theatre.

One indicator of this sharing of material is provided by data on the number of productions playing on Broadway that were first produced elsewhere. These data are shown in Figures II-8 and II-9 below, which report respectively the percentage of plays and musicals playing on Broadway that were first produced abroad, in regional theatres, or in New York off-Broadway. These figures show that over the years, the percentage of shows playing on Broadway that were first produced elsewhere has ranged between 15 and 60 percent.

Other data show that many plays produced in the not-for-profit theatre had their first productions on Broadway. Table II-10 reports the percentage of productions by fifteen well-known not-for-profit theatres (over the period November 1976 to October 1977) that were first produced on Broadway. This table shows that approximately 45 percent of the productions at these not-for-profit theatres during the 1976 season were first produced on Broadway.

To be sure, these statistics focus on segments of the theatre where there is a relatively great sharing. If we examined the producing activities of theatres whose objectives were almost wholely experimental and compared them with the Broadway theatre, we would find much less commonality. Nonetheless, it is probably fair to say that sharing is the norm, and that works and personnel routinely cross the boundary between for-profit and not-for-profit theatre activity. Tax exempt, non-profit productions sometimes (this is still the exception) move to a Broadway stage for a Broadway run, and use the profits to subsidize their ongoing activities. For-profit road companies of Broadway shows play to millions of people in theatres belonging overwhelmingly to local governments and to non-profit institutions. It has become common for both profit and not-for-profit theatres to put money

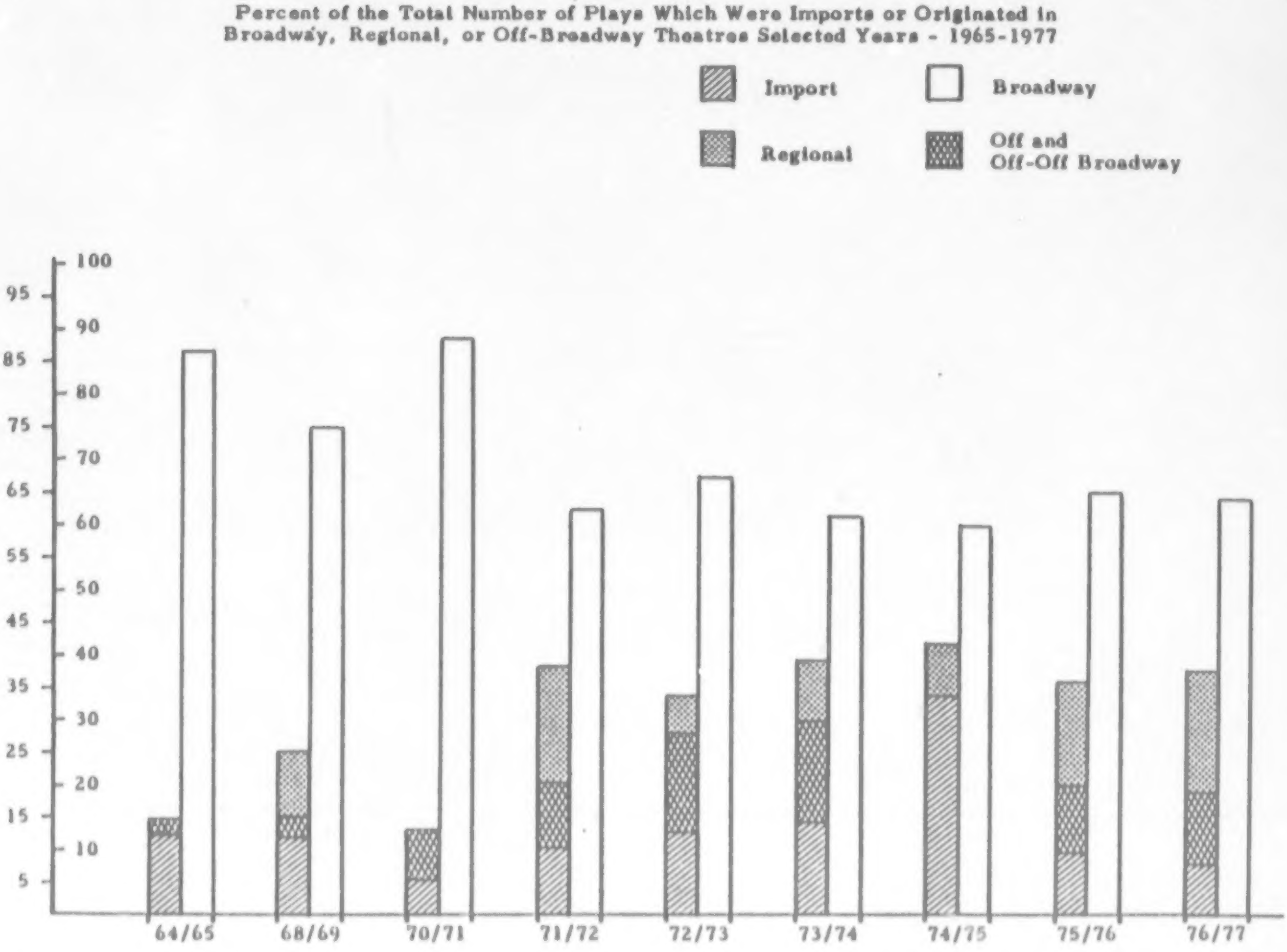
Table II-10

Percentage of Productions of Fifteen Not-For-Profit Theatres First Produced on Broadway November 1976 - October 1977

Theatre	Percentage
Hartford Stage	50
Asolo State Theatre	50
Goodman Center	45
Indiana Repertory	55
Actors Theatre of Louisville	25
Maryland Center Stage	54
Stage West	63
Guthrie Theatre	33
Studio Arena	46
Philadelphia Drama Guild	63
Trinity Square Theatre	53
Alley Theatre	40
Seattle Repertory Theatre	35
Milwaukee Repertory Theatre	27
Mark Taper Forum	23

Figure II-8

Sources of Plays Produced on Broadway

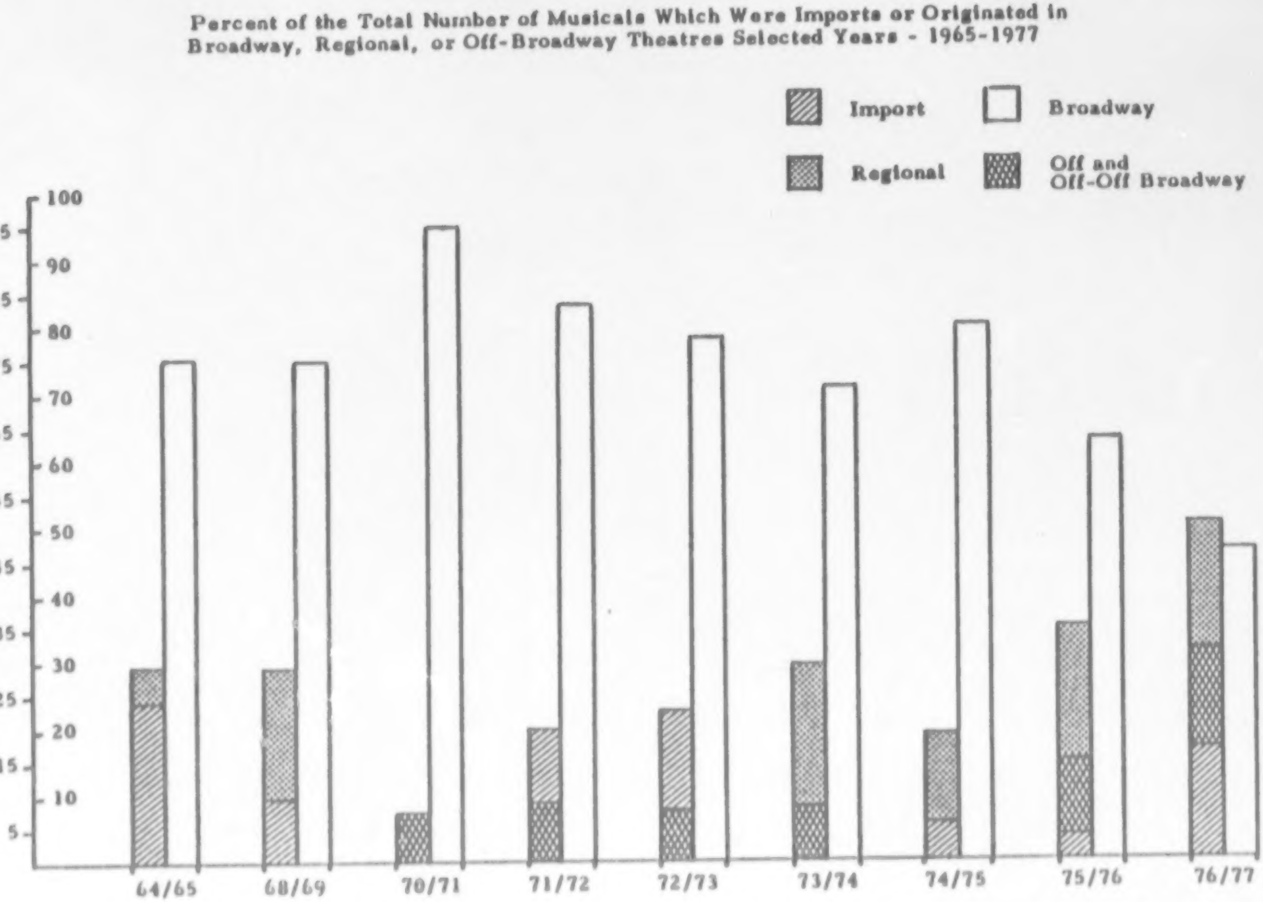


Percent of the Total Number of Plays Which Were Imports or Originated in Broadway, Regional, or Off-Broadway Theatres Selected Years - 1965-1977

Source: Stage World various years, and League of New York Theatres and Producers.

Figure II-9

Sources of Musicals Produced on Broadway



Source: Stage World various years, and League of New York Theatres and Producers.

into the production of another not-for-profit theatre in return for an option to use the property, thus sharing the risk. At the Kennedy Center the same producer stages for-profit and not-for-profit ventures virtually back-to-back, scrupulously maintaining the relevant financial structure of each. Showcase productions are staged on a not-for-profit basis sometimes with the intent of attracting financial backers for for-profit productions. Often, for-profit and not-for-profit productions compete for the same audiences. It is not uncommon for a play originated by a not-for-profit company to tour on a for-profit basis, appear in the not-for-profit showcase of Kennedy Center or elsewhere, and come to Broadway as a profit-seeking undertaking. Often, playwrights, directors, scenic designers, etc., develop their talents in the workshops of the not-for-profit sector, and then divide their activities between the for-profit and not-for-profit theatre.

There is some fear of the competition on both sides -- the for-profit people complaining that not-for-profit productions, which often compete with their own, are literally funded with tax dollars which only for-profit operations pay. Some not-for-profit producers feel that they alone bear the burden of risk, and that the public is lured away by the bait of "popular" entertainment.

These facts are all symptoms of interdependence in American theatre. Reactions to this interdependence differ. Gardner, of the not-for-profit Academy Festival Theatre in Lake Forest, Illinois, believes that a proliferation of theatrical activity serves the common good. He points out that when "The Act" was selling out at the Shubert Theatre in Chicago with a $22 top ticket price, he was doing a very respectable 85 percent of capacity gross with a new play by John Guare only a few miles away.

Bernard Jacobs, now President of the for-profit Shubert Organization, described his perception of the interdependence between for-profit and not-for-profit theatre to the First American Congress of Theatre as follows:

> There is a misconception among all of you in terms of creating the impression that there is a we-they. As I see it, there is no future for the profit theatre as we know it. If there is going to be a theatre that survives in this country, it has to be a theatre which is going to produce all the things that all of us want to produce. All the diverse points of view that we have should be represented. It is very important that all of us remain together. Everytime one of you gets excited and threatens to walk out as you did yesterday and again today, you do all of us a great disservice, because there is a common approach to theatre that we all have. Those of us who are on our side of the table, if you want to call it that, really are on your side of the table. We are interested in doing everything that we can to help your kind of theatre, because theatre will not otherwise survive in this country. The real issue is do you want theatre to survive, do you want live performances to survive, or do you want the whole thing to die. It isn't a matter of the commercial theatre dying. Each time any part of the theatre, commercial or otherwise, dies, a part of each dies with it. 1/

It is unwaranted to conclude, however, that all segments of the theatre community are enthusiastic or even willing participants in these developments. In particular, many in the not-for-profit community fear that eventual commercialization of work will, by accident or by design, become the raison d'etre of the non-profit theatre rather than the serendipitous by-product of pursuit of its basic objectives to develop and

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1/ Little, Stuart, After the FACT

refine artistry. Those holding this view point out correctly that if this happens, the emerging symbiosis of not-for-profit and for-profit theatre described above will be lost, to the detriment of both artistry and commerce. In this regard, the Off-Off Broadway Alliance noted in a statement included in its entirety in Exhibit I to this report:

> In the past three years, many theatres have grown strong partially because they have had one or more very successful and very popular productions which have been "moved" either to Off Broadway or to Broadway. In some cases, the move has made a great financial and/or credibility impact on the Off Off Broadway theatre involved. It has been a wonderful exchange for the Off Off Broadway theatre, for the commercial theatre, for the audience, and most particularly, for the artists involved. There are several real dangers, however:
>
> "Moving" productions is not what Off Off Broadway is ABOUT. A production must not be chosen because of its potential for popular, commercial success. If the "move" happens, wonderful. But as soon as "move" becomes "motive", the process, growth, experimental meaning of Off Off Broadway disappears. Off Off Broadway as "alternative" disappears.
>
> To quote Phil Blumberg, the literary manager at PAF Playhouse on Long Island: "We must continue to affirm the differences between commercial and non-commercial art. Unfortunately, the current financial crisis in the arts has driven these different theatres closer and closer together and this new alliance may prove a dangerous one. Regional theatres are now providing cheap testing grounds for commercially based work. These groups look to Broadway as a means of earning needed cash and attracting the attention of funding sources. Yet producing plays solely because of their commercial viability or, even worse, serving as try-out centers for Broadway-bound plays, be they Brecht musicals or Alan Alckroyd farces, can only dilute the particular identity of a theatre. Broadway has a responsibility to the development of theatre arts, and these two duties cannot always be reconciled. If resident theatres begin to see their work in terms of individual hits and flops, this new alliance between Broadway and the non-commercial theatre will have destroyed the very movement it was trying to save."

> If the segment of Off Off Broadway that exists for the sake of experimentation and the discovery of a theatrical alternative is ignored or left to die because of too much emphasis on what is potentially commercial, Off Off Broadway will go the sterile and strangled way of the old Off Broadway and yet another fringe genre with three "offs" will have to be invented as reaction.

The relationship between for-profit and non-profit theatre is thus in a state of great flux. Certainly, however, there is now interdependence between the two.

III. THEATRE FINANCES

A. Introduction and Overview

In the preceeding chapter, we examined data describing the levels and patterns of theatre activity in the Nation. We saw, for example, that indicators of activity in the Broadway theatre have fluctuated randomly or perhaps shown an ever-so-slight upward trend. We saw that indicators of activity in a subset of the larger not-for-profit theatres covered by Equity's LORT contract have remained constant during the 1970's after a decline during the late 1960's. We also saw that a number of new companies came into existence during the 1960's and 1970's, and that activity in the production of new works seems to have increased.

All of these activities require financial resources. Moreover, growth in these activities requires growth in the resources available to the theatre. In this chapter we examine data which show what these activities cost and how they have been financed. In particular, we will examine data on revenues, costs, profit margins (for the for-profit theatre), and income gap (for the not-for-profit theatre). Our examination of these data will show that the theatre has dealt rather well with the "cost-revenue squeeze" diagnosed by Baumol and Bowen. We will see, for example, that commercial productions on Broadway earned, in the aggregate, an average return on investment of over 13 percent over the period 1964-65 to 1976-77. Of course, some years were better than this, and others were much worse. We will also see that in the not-for-profit theatre, the relationship between earned income and total operating expenditures is little different today from what it was at the beginning of the 1970's, indicating that effective measures have been taken to control costs and boost earnings. All in all, while costs, prices, and activity levels are higher than they were a decade ago, the financial condition of the theatre today seems to be reasonably stable.

The plan of the chapter is as follows. In Section B, we examine the finances of shows produced on Broadway for-profit over the period 1964-65 through 1976-77. Our data for this analysis are based on samples taken mainly from the files of the Office of the Attorney General, State of New York. We also have some data on the publicly financed productions in which the Shubert Organization invested. Thus, our sample may not be an unbiased one in that it consists entirely of shows that were publicly financed. We do not know what the implications of this possible bias may be.

Our examination of our data shows, as noted above, that for-profit production on Broadway is profitable. We doubt, however, that the rate of profit that we estimate being earned is commensurate with the risk. Most companies in other sectors of our economy require a return in the neighborhood of 30 percent on the new business ventures they undertake. Thus, while for-profit Broadway productions may make what appears in absolute terms to be a rather handsome rate of return, it may still be well below what most investors require to compensate for the risk involved.

In Section C we examine the finances of larger not-for-profit theatres. Our data on these theatres come from the Ford Foundation Survey of Performing Arts Organizations, from the Fiscal Survey of the Theatre Communications Group, and from the files of the Theatre Program of the National Endowment for the Arts. Our data show, as noted above, that the operating budgets of these theatres have grown quite rapidly, and that growth rates in earned income and unearned income have matched the overall growth rate.[1] This means that, in gross percentage terms, the operating financial condition of these theatres is about the same as it was at the start of the 1970's.

There are, however, some subtle differences. One important difference is that these theatres manage cash flow more carefully now, and many have adequate cash reserves to meet their own cash flow financing needs. Another important difference, particularly from the standpoint of future public policy, is that the share of unearned income of these theatres that is attributable to public sources has grown as the share due to private sources has shrunk. This means that these theatres are now more dependent upon public support than they were several years ago.

Section D continues our examination of the finances of the not-for-profit theatre with an investigation of the condition of smaller not-

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1/ Earned income is defined as the sum of receipts from sale of tickets, fees received for services rendered, receipts from recording, film, radio and television, and receipts from various ancillary activities such as sale of programs, parking, etc.

Unearned income is defined as the sum of all other receipts, including mainly grants, contributions, and endowment earnings.

103

for-profit developmental theatres. Our data for this investigation come from the sources of data on the not-for-profit theatre mentioned above and additional information supplied by the New York State Council on the Arts.

In general, our data show that the smaller not-for-profit theatres are relatively more dependent upon contributed funding (as opposed to earned income) than are the larger theatres. Also, the smaller theatres are more dependent upon public sources for these funds. There can be little doubt that many would not survive if such funding were not available. It should be stressed that this is no reflection on the professional competence of these theatres. The missions they have adopted -- workshops, production of new works, experimentation with new techniques, actor training, provision of social services -- simply are activities that are not well-suited to dependence upon the box office or upon private contributions for support.

As is the case in other chapters, there are some segments of the theatre on which we have not been able to develop adequate data. For example, we have been unable to get sufficient data for a report on dinner theatres, Off-Broadway and summer stock theatres. While the patterns of expansion we observe in these activities lead us to believe that they are financially healthy (with the exception of Off-Broadway), we have no direct evidence to support this conclusion.

B. Theatre For-Profit: Broadway [1]

Recall from Chapter II that the Broadway for-profit theatre is subject to wide swings in activity. In this section, we shall see that the finances of this type of theatre are similarly volatile. There are seasons where one finds that for every success on Broadway there are five or more failures, and other seasons where for every success there are less than two failures. But there has been no season -- at least in the last twelve years -- in which successes were more prevalent than failures. [2] The 1976-77 period was one of these seasons of record box-office receipts -- $94 million, as is shown in Table III-1. While this was an exceptional season both on Broadway and on the Road, an examination of box-office receipts in constant dollars (see Table III-1) shows that revenues in real terms are still lower than they were a decade ago. The trend and rate of increase of these statistics are depicted in Figures III-1 and III-2.

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[1] Data for Section B were collected primarily from the Attorney General's files; some were also obtained from the Shubert Organization. The sample comprises 53 plays and 58 musicals (hereinafter cited as the "Finance Sample I").

[2] Ratio of failures/successes:

Season	Ratio	Season	Ratio
1965-66	2.62	1971-72	7.16
1966-67	2.83	1972-73	4.11
1967-68	3.46	1973-74	5.60
1968-69	3.60	1974-75	3.09
1969-70	3.10	1975-76	5.12
1970-71	4.50	1976-77	1.60

Source: Variety, May/June issues, 1965-77.

Table III-1

Playing Weeks and Box-Office Receipts for Broadway and the Road (1965-1977)

Season	BROADWAY			ROAD (Key City Totals)		
		In Thousands			In Thousands	
	Playing Weeks	Box-Office Receipts Current ($)	Constant 1967 ($)	Playing Weeks	Box Office Receipts Current ($)	Constant 1967 ($)
1965-66	1,295	53,862	55,758	699	32,214	33,348
1966-67	1,269	55,056	55,166	916	43,572	43,659
1967-68	1,259	58,942	58,942	884	45,058	45,058
1968-69	1,209	57,743	56,335	920	42,601	41,562
1969-70	1,047	53,324	50,069	1,024	48,027	45,096
1970-71	1,107	55,343	50,130	898	49,825	45,131
1971-72	1,157	52,321	45,896	909	49,701	43,597
1972-73	889	45,337	38,066	1,056	55,908	46,942
1973-74	907	46,251	34,336	899	45,726	33,947
1974-75	1,101	57,423	35,867	799	50,925	31,808
1975-76	1,136	70,842	40,504	814	52,588	30,067
1976-77	1,347	93,406	51,069	987	82,627	45,176

Source: Variety, June 8, 1977.

Figure III-1

Broadway Box-Office Receipts

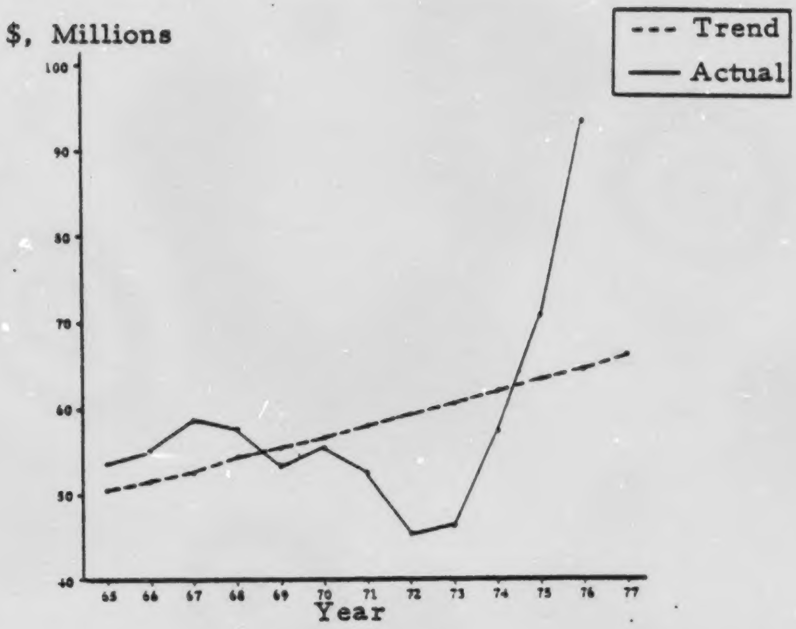
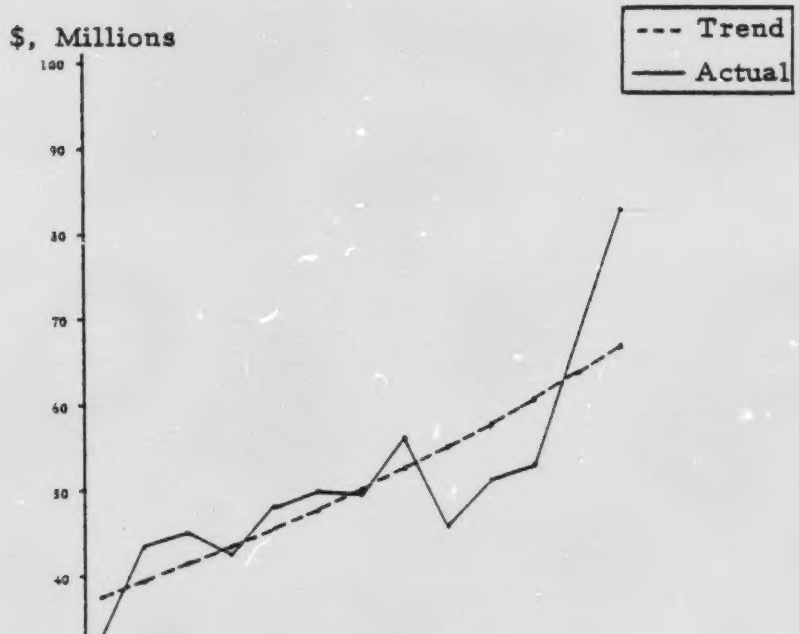


Figure III-2

Road Box-Office Gross Receipts



Our examination of the for-profit Broadway theatre is divided into six main subsections. Subsections 1 through 5 present data respectively on capitalization,[1] production costs, operating costs, other costs and revenues. Subsection 6 draws on data presented in these earlier subsections to estimate the return to investment in for-profit Broadway productions.

1. Capitalization: Raising Money to Produce a Show

Raising money to finance a show rarely has been a simple job for the producer. Well-known producers have relatively few difficulties, while problems for newcomers to show business seem insurmountable. Yet, every year a new stream of capital flows into the "legitimate theatre's" productions.

Productions may be produced with private or public funds.[2] By and large, the majority of Broadway productions are publicly funded. However, the last few years have witnessed an increasing number of privately funded shows.[3] Limited partnerships minimize individual risks and it seems reasonable to speculate that the higher the risk associated with a given production, the higher the possibility that it will be funded with public funds. Another trend is the increasing amount of investment in Broadway shows by institutional investors both small and large ones.[4] In the absence of hard data, however, we do not know the extent of this latter development.

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[1] By "capitalization," throughout this report, we mean investment made in Broadway shows. We are using these two terms interchangeably.

[2] By "public funds," in this section of the report, we mean funds that are raised through a public offering of securities in a production.

[3] Communication with Mr. S. Brookoff, New York State Attorney General's Office.

[4] Ibid.

As noted in the introduction to this chapter, we shall discuss only publicly funded productions on Broadway. Producers are usually called "general partners" and they are responsible for raising funds. Once the type of production, script and sometimes the principals are decided, the producer and co-producers (if any) file a formal statement with the Securities and Exchange Commission and with New York's Attorney General. This filing enables the general partners to go after possible financial backers. 1/ Individual contributors are called "limited partners." Limited partners contribute to the capital of the partnership the sum set forth in the Limited Partnership Agreement. Such sums may be used for the payment of production, for running and other expenses, as defined in the agreement. In the event that the actual production expenses exceed the estimated amount, the general partners are responsible for raising the money to cover the difference between the limited partners' contribution and actual expenditures. Such contributions are deemed loans to the partnership repayable prior to the return of any contributions of limited partners. Limited partners

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1/ Both New York and Federal statutes regulate the means of the raising of money for theatrical productions, depending on the amount being raised and the number of people sought as investors. Article 26A of New York's General Business Law calls for the filing of an offering circular or prospectus with the Attorney General when the number of investors in a production exceeds 25 persons. Under the Federal Securities Law, however, offering circulars for productions with more than 35 investors that do not fall under the private offering exemption must be filed with the SEC. The State normally will accept the same offering circular filed with the SEC to avoid duplication of effort.

are also subject to an "overcall" clause, which is an additional contribution on their part to the partnership's capital, and, on the average, is an amount between 10 and 20 percent of their original contribution. The exercise of the "overcall" clause is at the discretion of the producers/general partners.

The contributions of the limited partners are returned -- after the opening of the play--if the partnership has a cash reserve not less than the sinking fund [1] (the amount of sinking fund is set forth by the agreement) and generally after the payment of all debts, liabilities and taxes. The repayment of limited partners' contributions is also in proportion to their original contribution held in the total publicly raised capital. The net profits, [2] if any, usually are split on a 50-50 basis. Producers often have to give up part of their 50 percent share of the general partnership in order to entice limited partners or those who may act as intermediaries. Other percentages taken out of the general partner's share may go to stars, designers, etc. Essentially, these percentages are distributed at the discretion of the producer (general partners). Since the limited partners' contributions are the last ones to be repaid in case of debts incurred by the partnership, the total cost of a production as well as the net receipts are important parameters in assessing the probability and the time of the investment being recovered.

1/ In our sample of publicly financed productions, sinking funds ranged between $30,000 and $100,000.

2/ Net profits are estimated as follows:

Net Profits = Gross Revenue - (Production Costs + Investment + Running Expenses + Other Expenses) .

These matters will be raised again at the conclusion of this section of the chapter. In this section, we shall proceed with estimating the average amounts invested in Broadway musicals and plays for the period 1965-77, as well as total investment in Broadway productions.

Table III-2 reports average capitalization for plays and musicals for the years 1965-66 to 1976-77. The trends of average investment for plays and for musicals are depicted in Figures III-3 and III-4. The estimated annual rates of increase (of investments in current dollars) are 6.4 and 4.1 percent respectively. While we do not have a special index of the rate of inflation in the cost of Broadway productions, we assume that these costs have increased at approximately the rate of the wholesale price index over the same period (approximately 5.9 percent per year), and we conclude that, in constant dollars, average investment in Broadway plays has increased slightly while that of musicals has fallen slightly.

Table III-2

Average Capitalization of Commercially Produced Broadway Plays and Musicals

(In Thousands)

Season	Musicals Current ($)	Constant 1967 ($)	Plays Current ($)	Constant 1967 ($)
1965-66	334	346	88	91
1966-67	465	466	135	135
1967-68	417	417	127	127
1968-69	576	562	145	141
1969-70	525	493	120	113
1970-71	541	490	146	132
1971-72	371	325	198	174
1972-73	448	376	242	203
1973-74	566	420	188	140
1974-75	566	354	218	136
1975-76	632	361	175	100
1976-77	681	372	194	106

Source: Data collected primarily from the Attorney General's files. Information has also been obtained from the Shubert Organization. The sample, in estimating capitalization, is comprised of 70 plays and 65 musicals. (Finance Sample I, op. cit., expanded.)

Figure III-3

Average Capitalization - Plays
Current Dollars

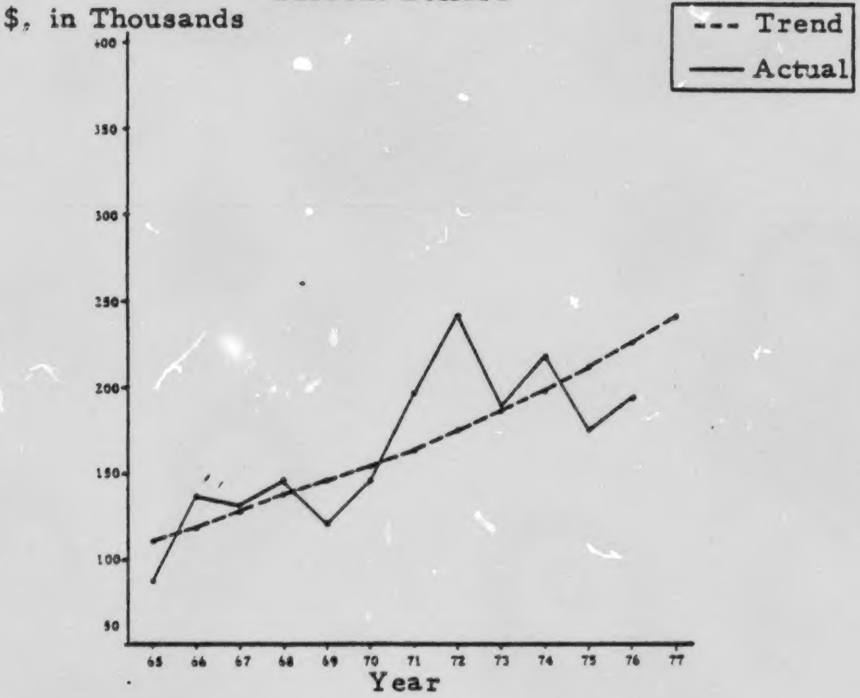


Figure III-4

Average Capitalization - Musicals
Current Dollars

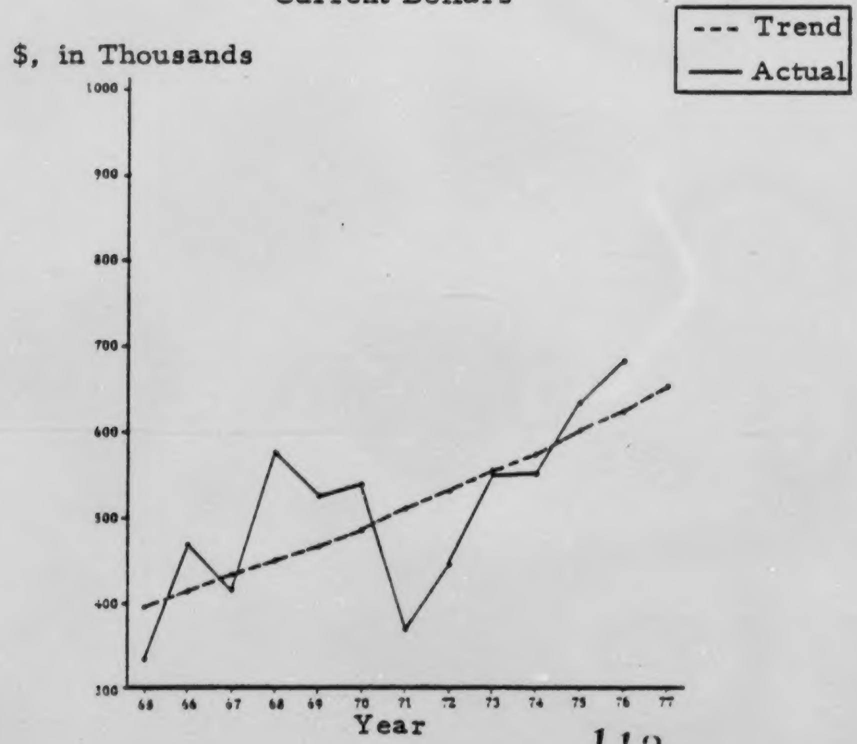


Table III-3 reports estimated total capitalization for all Broadway musicals and plays and is based on the average capitalization data reported in Table III-2 and on data on the numbers of productions reported in the May/June issues of Variety. The trend of the estimated total overall investment in plays and musicals is depicted in Figure III-5. The rate of growth of total investment in current dollars on Broadway is 5.9 percent. The average annual rate of growth of the wholesale price index over this period was also about 5.9 percent. If we use this index to deflate estimated investments in current dollars in Broadway shows, we conclude that total constant-dollar investment in Broadway productions shows a good deal of short-term fluctuation but no long-term tendency to increase or decrease over the period covered by our data.

Table III-3

Total Annual Capitalization of New Broadway Productions

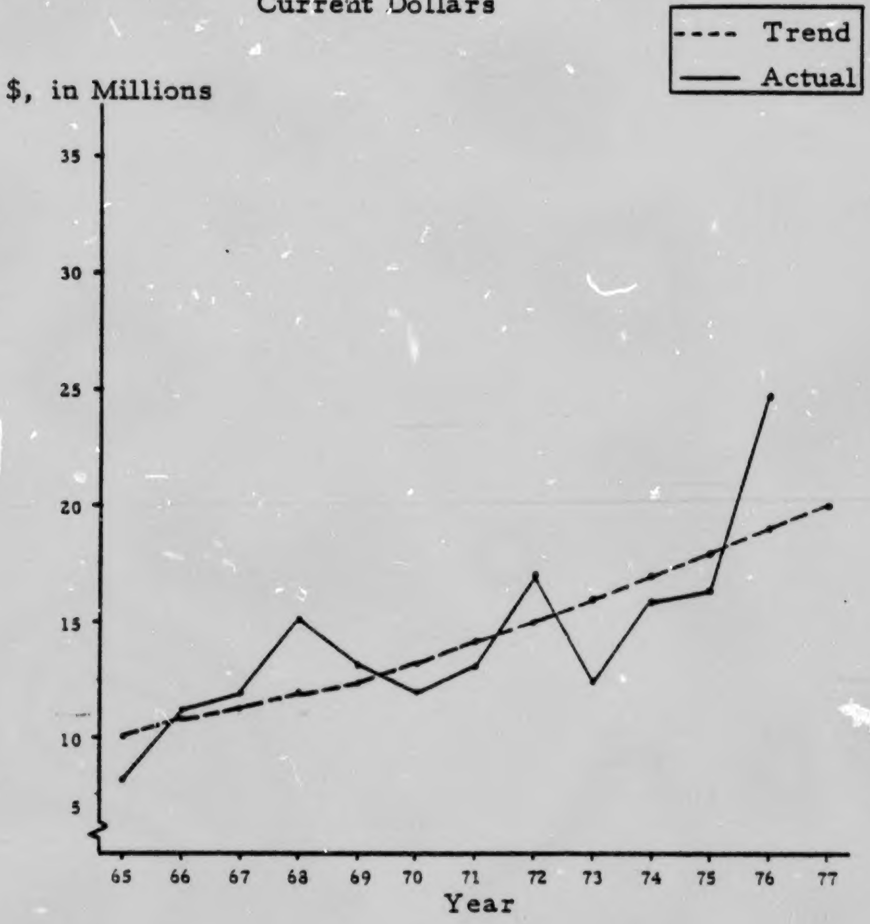
(in Thousands)

Season	MUSICALS			PLAYS			TOTAL CAPITALIZATION PLAYS AND MUSICALS	
	Number of Productions	Current $	Constant 1967 $	Number of Productions	Current $	Constant 1967 $	Current $	Constant 1967 $
1965-66	20	6,670	6,905	48	4,244	4,393	10,914	11,298
1966-67	20	9,300	9,318	49	6,615	6,628	15,915	15,946
1967-68	14	5,838	5,838	60	7,620	7,620	13,458	13,458
1968-69	21	12,096	11,801	46	6,670	6,507	18,766	18,308
1969-70	18	9,450	8,873	44	5,280	4,958	14,730	13,831
1970-71	19	10,279	9,311	27	3,942	3,571	14,221	12,882
1971-72	24	8,904	7,811	32	6,336	5,558	15,240	13,369
1972-73	22	9,856	8,275	36	8,712	7,315	18,568	15,590
1973-74	17	9,622	7,143	33	6,204	4,607	15,826	11,749
1974-75	15	8,490	5,303	44	9,592	5,991	18,082	11,294
1975-76	20	12,640	7,227	42	7,350	4,202	19,990	11,429
1976-77	26	17,706	9,681	37	7,178	3,925	24,884	13,606

Source: Table III-2 extrapolated. Method of extrapolation: multiplying amounts of Table III-2 by the number of new shows produced each season (number of new shows counted from Variety, May or June issues between 1965 and 1977).

Figure III-5

Total Capitalization of New Productions (Musicals and Plays)
Current Dollars



As will become apparent in the next section, the capitalization of publicly funded shows is growing more slowly than their production costs. This may occur for several reasons: difficulty in raising the full amount of anticipated costs; under-estimation of actual costs by the producer because of time intervals between raising the funds and actual production (thus costs reflect ongoing inflation), losses during out-of-town try-outs, etc. There are a number of ways in which producers can close the gap between the limited partners' investment and actual costs: they may exercise the "overcall" clause; make or procure a loan to the partnership; defer payment of bills and payroll taxes; take cash overdrafts, etc. All methods of additional financing, except the "overcall," have priority of repayment over the contributions by the limited partners. Other things being equal, the higher the overall costs and debts of a production, the longer it will take for the limited partners to recoup their investment.

2. Production Costs

Production costs normally include the pre-opening and pre-production period expenses of the producer, the fees of the director, designers, and others. They also include expenditures for the construction of sets, curtains, drapes, costumes, properties, furnishings, electrical and sound equipment which are usually called departmental costs; premiums for bonds and insurance; cash deposits with Actor's Equity Association or other similar organizations; rehearsal charges and expenses; transportation expenses; cash office charge; legal and auditing expenses; advertising and publicity expenses; theatre-building costs; and all kinds of costs incurred in connection with the production prior to Broadway opening. Thus, losses from out-of-town try-outs are also considered as a production expense. Opening night's costs are also part of the production costs.

In analyzing production costs for the years 1965-77, we first estimate the average production costs for the plays and musicals, reported in Table III-4.

Table III-4

Average Production Costs (in Thousands)

(49 Plays and 52 Musicals)

Season	MUSICALS		PLAYS	
	Current ($)	Constant 1967 $	Current $	Constant 1967 $
1965-66	329	341	84	87
1966-67	458	459	82	82
1967-68	N.A.	N.A.	87	87
1968-69	535	522	103	100
1969-70	305	286	86	81
1970-71	553	501	139	126
1971-72	482	423	194	170
1972-73	353	296	174	146
1973-74	505	375	184	137
1974-75	664	415	202	126
1975-76	551	315	184	105
1976-77	694	379	254	139

Source: Finance Sample I, op. cit.

The trends of annual production costs' increases for plays and musicals are depicted in Figures III-6 and III-7.

Figure III-6

Average Production Costs - Musicals

(1,000 $)

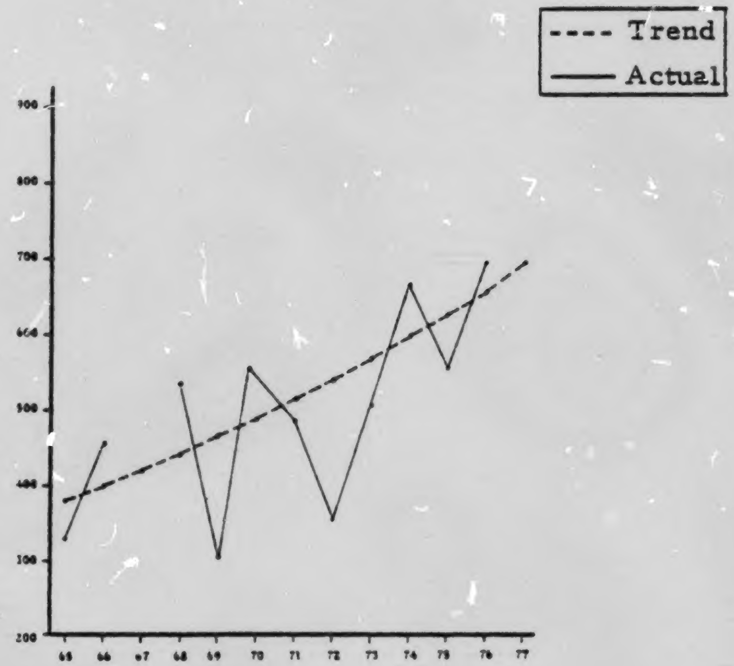
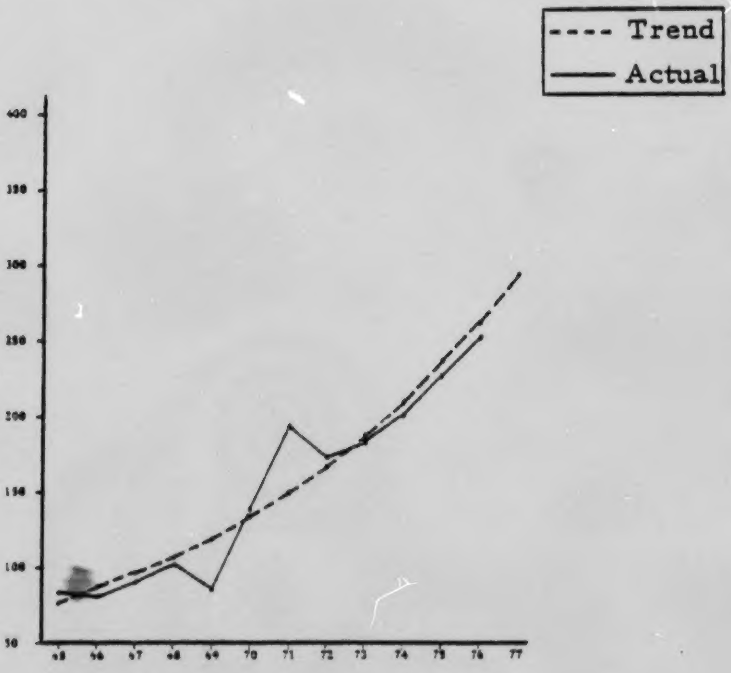


Figure III-7

Average Production Costs - Plays

(1,000 $)



Although in absolute terms the cost of producing a musical is on the average three times more than the cost of a play, the rate of annual increase of production costs in current dollars of plays (10.7 percent) is much higher than that of musicals (4.7 percent). These rates of increase in current dollars are not just due to price inflation; for plays they indicate increases in real costs, although for musicals they do not. Clearly, we need to know more about the individual cost items and identify those that seem to explain the observed patterns.

Table III-5 provides a breakdown of average production costs for plays and musicals. Columns 1 and 4 list the average amount of each cost-item per production for the period 1965-67 and Columns 2 and 6 for the period 1975-77. Columns 3 and 5 show the corresponding annual rates of increase.

Table III-5
Breakdown of Average Production Costs
(Plays and Musicals)

Cost-Item	Plays			Musicals			Average Annual Rate of Increase Plays and Musicals
	1965-67	1975-77	Annual Rate of Increase	1965-67	1975-77	Annual Rate of Increase	
1. Cast-Chorus-Casting-Auditions-Principals	10,806	19,975	5.1	34,756	44,201	2.0	2.9
2. Other Artistic Personnel	2,006	7,277	10.7	16,553	30,411	5.1	6.9
3. Fees and Royalties	7,411	26,283	10.5	18,168	35,277	5.5	7.3
4. Orchestration, Recording, Music Copying	N.A	N.A.	N.A.	33,408	79,481	7.2	N.A.
5. Crew/Stagehands	2,397	7,220	9.0	5,128	20,871	11.7	11.0
6. Rehearsal Expenses	N.A.	N.A.	N.A.	10,408	19,513	5.2	N.A.
7. Departmental	32,208	79,029	7.5	186,856	335,800	4.9	5.3
8. General & Administrative Salaries and Expenses	8,476	29,494	10.4	24,724	66,686	8.3	8.9
9. Promotion	14,673	36,804	7.8	31,293	61,896	5.7	6.4
10. Try-outs, Take-in and Hang Production	4,604	17,708	11.2	N.A.	N.A.	N.A.	N.A.
11. Legal Expenses	4,272	7,613	4.8	7,261	16,936	7.1	6.3
12. Taxes and Welfare	1,821	7,148	11.4	6,988	21,444	9.3	9.8
13. Transportation, Hauling, Carting and Travel	2,334	9,950	12.1	11,300	27,020	7.3	8.3
14. Other 1/	3,940	10,826	8.4	11,433	11,534	.1	3.1
Total	93,550	259,326	8.3	398,276	771,070	5.5	6.2

1/ "Other" includes rehearsal expense, scripts and parts, opening expenses, insurance, etc.
Source: Finance Sample I, op. cit.

The rate of annual cost increase has been, for almost all items, faster for plays than for musicals. One plausible explanation for the differential in the rates of cost increase between plays and musicals is that producers of musicals may have pursued cost-saving measures more vigorously than have producers of plays. In view of the relative magnitude of the investments involved, it is easy to understand why this could be the case.

Performers' Salaries. The rate of increase of expenditures on performers' salaries, according to Table III-5, has been on the average 2.9 percent annually, which is somewhat lower than the general inflation rate and lower than the rate of increase of performers' wage rates. It has been higher for plays (5.1 percent) than for musicals (2.0 percent) -- again lending support to the hypothesis that cost-cutting measures have been pursued more vigorously for musicals than for plays.

To see what might explain this pattern, let us consider some data on cast sizes. Table III-6 is based on a count of cast sizes for plays and musicals produced between 1964-65 and 1975-76. In general, these data suggest no strong trend. Cast sizes of plays have grown slightly over the period, increasing by about 1.3 percent per year. This fact and the fact that expenditures on performers' salaries in plays have grown more slowly than has the wage rate (see Chapter V) could only reflect a tendency to use lower paid personnel. (A full explanation of the reasoning which leads to this conclusion is available in Chapter V.)

Table III-6

Size of Broadway Casts Selected Years (1965-77)

Season	Average Size of Cast			Percent of Total Productions with Casts of:									
				1-5		6-9		10-19		20-29		30 and Over	
	All Productions	Plays	Musicals	Plays	Musicals	Plays	Musicals	Plays	Musicals	Plays	Musicals	Plays	Musicals
1964-65	17.7	8.8	36.8	33.3	5.9	38.9	0	19.4	11.8	5.6	11.8	2.8	70.6
1968-69	19.4	13.4	31.0	20.0	0	23.3	12.5	36.7	12.5	13.3	18.8	6.7	56.3
1970-71	17.0	12.0	26.3	13.6	0	36.4	8.3	31.8	33.3	13.6	16.7	4.5	41.7
1971-72	16.4	12.3	22.2	17.9	5.0	25.0	25.0	39.3	30.0	17.9	10.0	0	30.0
1972-73	14.8	11.2	20.3	25.0	4.8	21.9	14.3	40.6	33.3	12.5	19.0	0	28.6
1973-74	14.9	11.0	27.0	35.5	0	9.7	10.0	41.9	20.0	12.9	30.0	0	40.0
1974-75	15.0	11.4	24.9	25.0	0	22.2	15.4	36.1	30.8	16.7	15.4	0	46.2
1975-76	17.2	11.4	27.2	27.6	5.9	24.1	11.8	31.0	23.5	13.8	17.6	3.4	41.2

Source: John Willis, Theatre World (New York: Crown Publishers), selected years.

There is a definite tendency over the period spanned by the data shown in Table III-6 for the cast sizes of musicals to fall, although there has been some recovery over the most recent seasons. Over the whole period covered by the data shown in this table, cast size fell at a rate of 3.45 percent per year. This very definitely is a factor explaining the low rate of growth of salary expenditures during production of musicals. It also explains why salary expenditures for performers during production have grown more slowly for musicals than they have for plays.

The decline in cast size of musicals is probably not the only economy measure that has been taken. Given the growth in wage rates over the period, there has probably also been some substitution of lower-paid personnel.

Salaries for performers seem to take a smaller share of the budget in the 1975-77 period, as Figures III-8 and III-9 indicate, than they did in the 1965-67 period. Still, they account for 7.7 percent in plays and 5.8 percent in musicals, certainly not the most important item in production budgets. A detailed examination of performers' and other salaries is deferred to Chapter V.

Other Artistic Personnel Salaries. In this category we include salaries paid to stage managers, musicians, musical directors, hairdressers, dressmakers, and all other artistic personnel. 1/ Table III-5

1/ As we shall see later, royalties and fees are treated under a separate section.

indicates that the annual rate of increase for this category of salaries has been 10.7 percent for plays and 5.1 percent for musicals. However, as Figures III-8 and III-9 illustrate, their share of total production costs is modest. Clearly, their actual total share in total production costs should be viewed in combination with "royalties and fees," since a major part of their compensation appears under the "fees" category. The most important gain achieved by unions and associations on behalf of these artistic personnel is the spectacular increase in minimum compensations -- some of them as much as 6 to 7 times more than minimum levels of a few years ago -- and the increasing job security through the practice of advance payments required at the signing of contracts. 1/

Administrative Salaries and Expenses. With a rate of increase at 10.4 percent for plays and at 8.3 percent for musicals, administrative salaries and costs are among the fastest rising costs. We have included as administrative costs, salaries of general and company managers, production associates, production secretary, office charges, accounting and auditing fees, expenses of offering, ticket office preliminary expense, per diem allowances, insurance, telephones, and pre-production expenses incurred by the producer.

Administrative salaries and expenses are relatively important costs. They account for a considerable part of the budgets of both plays and musicals. Today, the figures are 11.4 percent and 8.7 percent, respectively, of total production costs vs. 9.1 and 6.2 percent during the 1965-67 period (see Figures III-8 and III-9). Besides the fact of increasing administrative

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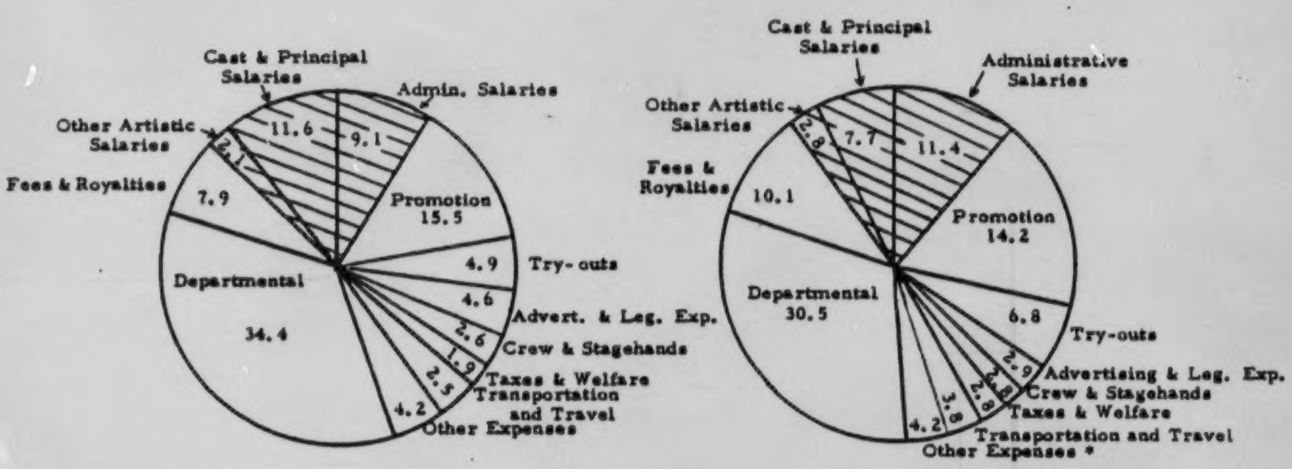
1/ Ms. M. Traube, The Society of Stage Directors and Choreographers, August 25, 1977.

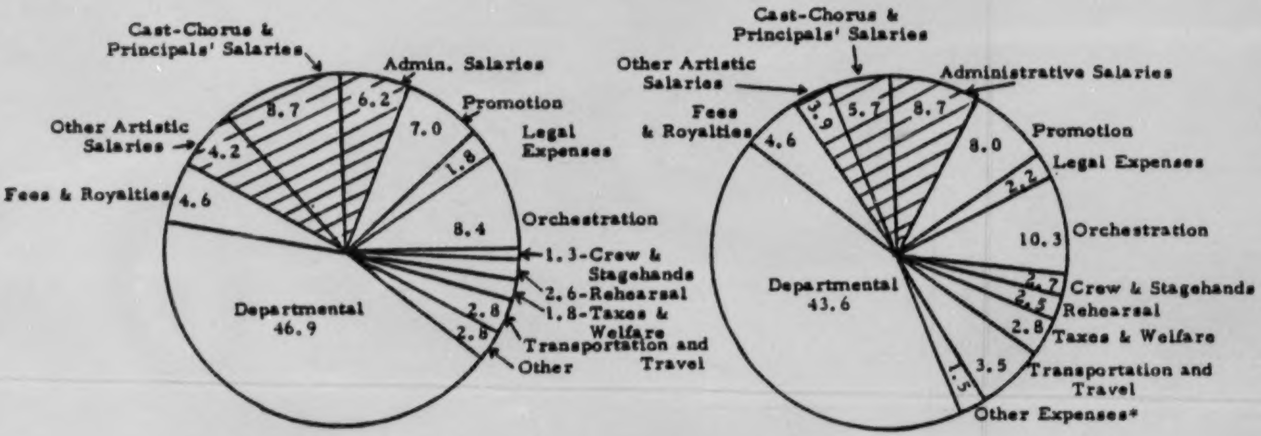
Figure III-8
Components of Production Costs of Plays as a Percent of Total Production Costs



1965-69 1976-77

* Other expenses include: rehearsal cost, scripts and parts, opening expenses, insurance, etc.

Figure III-9
Components of Production Costs of Musicals as a Percent of Total Production Costs



1965-66 1976-77

* Other expenses include: scripts and parts, try-outs, opening expenses, insurance, etc.

salaries and the relative difficulty in reducing managerial personnel, administrative expenses have proliferated in the sixties and seventies. This increase in administrative expenses is part of the general cost inflation; the rising costs in services; the increasing transactions spurred by new marketing techniques affecting both production and operating administrative costs (e.g., mail orders, "charge-it," and other marketing techniques requiring more materials and personnel to handle increasing activity). Increasing commitments of the artistic and managerial personnel operating in more than one location -- often one commitment on the West Coast and the other on Broadway -- has increased the cost of communications, per diems, transportation, etc. Finally, there is the increasing quantity of paperwork required to deal with the administration of increasing taxes and benefits.

Salaries of Stagehands and Crew. While salaries for performers have increased moderately, salaries for stagehands and crews--personnel that set, operate, and handle scenery props, etc. -- for both plays and musicals have been increasing, on the average, at a rate of 9 percent and 11.7 percent per year, respectively. This increase occurred despite the institution of cost-control measures. Reportedly, in 1965 more stagehands were employed per production than in the seventies. 1/ This can be interpreted to be the result of innovations including automation and other cost-saving measures. Stagehands also build props and sceneries for productions. In spite of the relatively fast increase in their salary rates, total payments to them account for only 2.8 percent of production costs for both plays and musicals.

1/ Mr. Vincent Jacobi, Secretary, Theatrical Stage Employees Union, Local #1, September 22, 1977.

Departmental Costs. Under the heading of "departmental" costs we consider purchases and preparations of electrics and sound, wardrobe, furniture and props. We also consider the building and painting of sceneries. Designers' and assistants' fees and expenses are not included here -- they appear under "fees and royalties." Total departmental costs amount to 30.5 percent of production costs for plays and 43.6 percent for musicals -- by far the largest item of the budget as Figures III-8 and III-9 indicate. These shares in total production costs are lower than they were in 1965-67, when they amounted to 34.5 percent for plays and 46.9 percent for musicals. Approximately one-half of departmental costs are taken up by payments for the building and painting of sceneries, with cost of costumes being a close second.

However, the overall rate of increase for departmental costs has been 7.5 percent for plays and 4.9 percent for musicals. Comparing these rates with the rates of increase of basic materials used for the construction of sceneries or the preparation of costumes, as well as with related services, departmental costs seem to have been increasing at a rate close to those of the wholesale price indexes for related materials and services, according to Table III-7.

Table III-7

Annual Rates of Increase in the Wholesale Prices of Selected Commodity Groups

1965-1977

Commodity Group	Percent of Annual Rate of Increase
Textile Products & Apparel	3.7
Fuels and Related Products, and Power	9.4
Rubber and Plastic Products	4.2
Lumber and Wood Products	7.2
Pulp, Paper and Allied Products	5.6
Metals and Metal Products	6.6
Furniture and Household Durables	3.6

Source: Wholesale price indexes, Economic Report of the President, U.S. Government Printing Office, Washington, D.C., January 1977, pp. 247-8.

Royalties and Fees. Royalties and fees have been increasing at a rate of 10.5 percent annually for plays and at 5.5 percent for musicals. Under this category, we include the fees paid to designers, directors, choreographers, music arrangers, managers, and a host of other professional categories. These professionals are receiving higher fees, as negotiated by their respective professional associations. Also, advance fees are being sought as security against the constant higher probability that a production might fail rather than succeed. The same motive underlies arrangements for advance payments in royalties.

As Figures III-8 and III-9 indicate, the percent of production costs allocated to royalties and fees has increased for plays from 7.9 percent of total production costs in 1965-67 to 10.1 in 1975-77. For musicals it has increased only slightly in importance. However, the substantial hikes in renumerations obtained since 1977 are not reflected.

Try-Outs. Losses during try-out performances before the official opening on Broadway are part of production costs and obviously a considerable cost-item for plays (see Figures III-8 and III-9), with an annual rate of increase at 11.2 percent. 1/ Such a rapid increase in losses during try-outs is prompting various cost-control measures. Thus, we

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1/ We had insufficient information on this item for musicals.

are witnessing more and more productions being tried out in an increasingly indirect manner, i.e., originating as productions at Off-Broadway theatres or non-profit resident theatres. Of the two indirect cost-control measures, at the present time, the non-profit theatre may be preferred since attendance is more or less guaranteed through subscription sales, and consequently there are almost no financial losses from box office receipts. If a show receives good reviews in its out-of-Broadway debut, then, arrangements will be made to bring it on Broadway either as a commercial show or as a non-profit/for-profit theatre combined venture.

Transportation and Hauling. Transportation and hauling costs are related both in the movement of a production's artistic and managerial personnel and their personal effects, as well as for the movement of scenery, props, etc. If there are out-of-town try-outs, transportation and hauling costs tend to be higher.

However, with scenery constructing studios moving out of New York City to avoid high space rents, transportation and hauling costs are bound to continue their high rate of increase. As Table III-5 indicates, the rate of annual income for plays and musicals has been 12.1 percent and 7.3 percent, respectively. Although they have only a modest share of total production costs, their share has increased since 1965, on the average, by approximately 38 percent for both plays and musicals.

Taxes and Benefits. Both Table III-5 and Figures III-8 and III-9 illustrate the growing importance of this cost-item. With a combined rate of annual increase at 9.8 percent for all productions and with a combined 47 percent increase of its share of total production costs, taxes and benefits clearly are making their dent on total costs. Again, one may expect these costs to continue a high rate of increase with better organization of unions and associations, and higher tax rates.

Legal Fees and Expenses and Miscellaneous Items. Normally, these costs would be included in the administrative expenses and in the royalties and fees categories. In Moore's study, 1/ legal and audit fees were singled out for their rapid rate of increase. We decided to examine closely legal fees and expenses only. As Table III-5 indicates, they have been increasing at moderate rates of 4.8 percent for plays and 7.1 percent for musicals. However, their share of total production costs has remained small and even declined, as Figure III-8 indicates in the case of plays.

Other small cost-items of the total production costs are rehearsal expenses (excluding salaries which are included under the salary categories above) for rental of halls and incidentals, scripts and parts, expenses for opening nights, insurance, dues to the Theatre League and a host of other items that individually hold minute shares and collectively account, on the average, for approximately 3 percent of total production costs. Their combined rate of annual increase has been 3.1 percent.

1/ T.G. Moore, op. cit., p. 50.

Advertising and Promotion. From Table III-5 we see that advertising and promotion expenditures have been increasing annually faster for plays, at 7.8 percent, and relatively slower for musicals, at 5.7 percent. Although advertising expenditures have not been growing faster than several other cost-items, they account for the second largest share of total production costs for plays (14.2 percent of total costs) and an important but less prominent share for musicals (8.03 percent of total costs).

Distribution of advertisement and promotion expenditures between the various media is of interest. We sampled several plays and musicals and estimated allocations both during the production preparation and the running of show periods. Figure III-10 illustrates our findings.

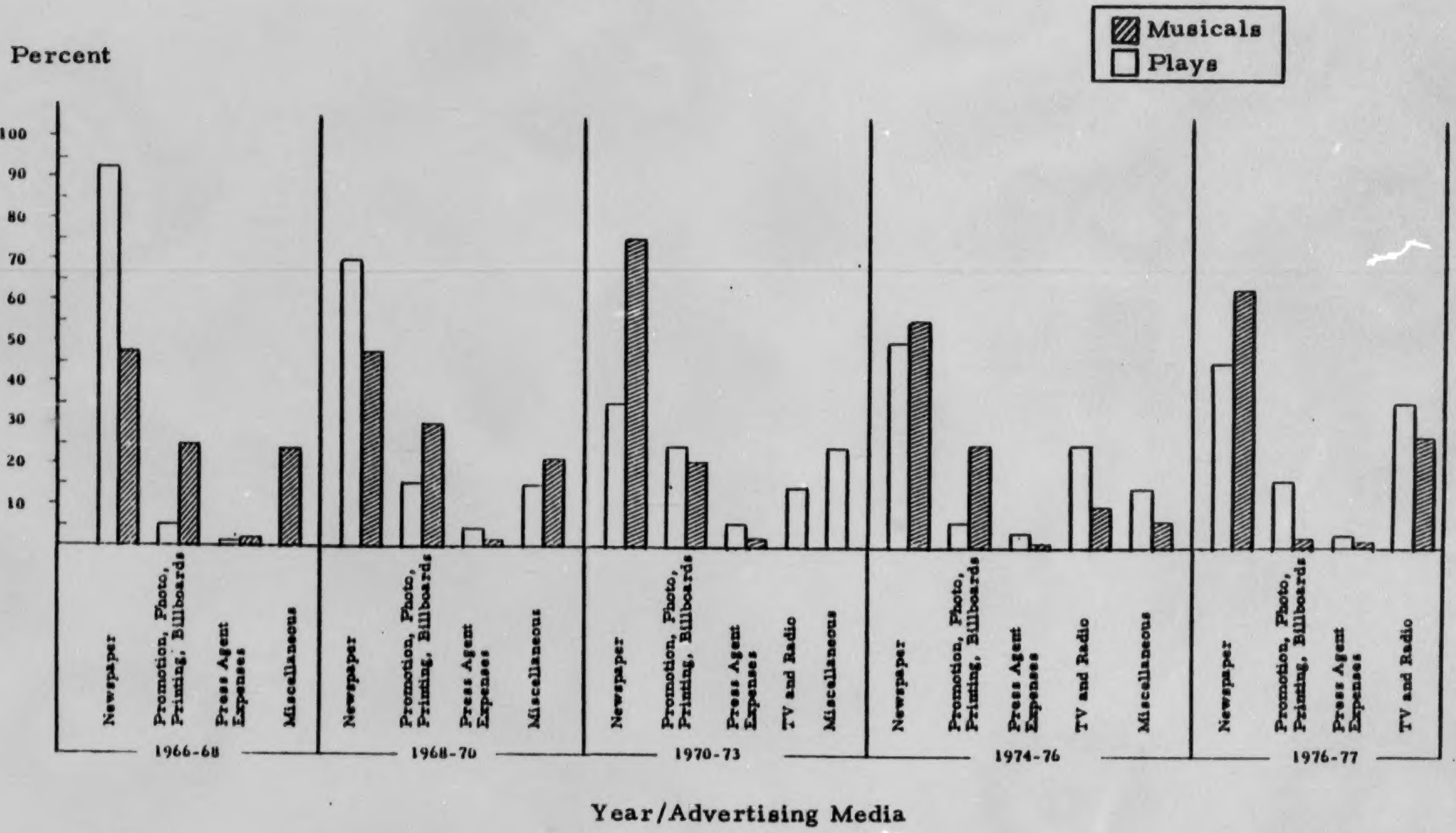
By far, the most popular medium of theater advertising are newspapers. Although the proportion of expenditures allocated to newspaper advertising has been decreasing since 1965 for plays (from 92.97 percent to 43.56 percent of total advertising budget), it has been increasing for musicals (47.41 percent in 1965 vs. 68.02 percent in 1976).

Billboards, signs, photos and promotion were the second major outlets for musicals, although they have gradually declined in importance. In addition, we are witnessing the rising importance of TV and radio advertising (36.75 percent for plays and 27.65 percent for musicals) during the seventies. Television spots are increasingly used by Broadway theatres and in particular by musicals. However, this type of advertising is not suitable for all types of shows; those which would benefit most from spot ads are "animated" performances with bright colors, and lighting.

Figure III-10

Breakdown of Advertising Expenditures

Selected Years



Finally, the expense for press agents has remained a small item of advertising expenditures and of total production costs; the average rate of increase has been 5 percent annually.

Orchestration. Orchestration, is an important cost item for musicals increasing by 7.2 percent annually and obtaining a greater share of total production costs, from 8.39 percent in 1965-67 to 10.31 percent in 1975-77. Their increasing importance may also be a result of cost control measures in the number of musicians employed thus necessitating greater orchestration efforts.

We can conclude that production costs on the aggregate have advanced significantly within the last 12 years, that the fastest rising costs are those of crew and stagehands followed by taxes and benefits, administrative, transportation, fees and royalties, salaries of artistic technical personnel and publicity.

The fact that production costs of plays have been growing faster than production costs of musicals may reflect the fact that musicals represent huge investments, and theatre cost-control measures are probably pursued more vigorously than they are for plays. In the next section we shall discuss operating expenses which are another substantial part of the total cost picture.

3. Operating Costs

Operating expenditures (or running costs) normally include all expenses, charges and payments incurred in connection with the operation of the show. These expenses include authors', directors', designers', choreographers', arrangers', and conductors' royalties, as well as salaries and other compensation to be paid to the actors, musicians, production associates and assistants, stagehands and miscellaneous operations' help, transportation charges, cash office charge, advertising, publicity and promotion, rentals of equipment, insurance, miscellaneous supplies, legal and auditing expenses and fees, other operating expenses, taxes of whatever kind, other than taxes on the incomes of limited and general partners. The theatre rental or "theatre share" is usually about 25 percent of the gross weekly box office receipts with a weekly minimum amount set in the contract.

Table III-8 reports average operating expenditures (excluding theatre share) for plays and musicals between the years 1965 and 1977.

Table III-8
Average Operating Expenses Per Week, Per Show (53 Plays and 58 Musicals)
(in Thousands)

Season	MUSICALS		PLAYS	
	Current $	Constant 1967 $	Current $	Constant 1967 $
1965-66	48	50	16	17
1966-67	45	45	19	19
1967-68	43	43	22	22
1968-69	44	43	18	18
1969-70	39	37	25	23
1970-71	44	40	25	23
1971-72	48	42	28	25
1972-73	46	39	28	24
1973-74	50	37	19	14
1974-75	48	30	28	17
1975-76	51	29	30	17
1976-77	71	39	30	16

Source: Finance Sample I, *op. cit.*

the trend of operating expenditures for plays and musicals is depicted in Figure III-11 and III-12, respectively, with an annual rate of increase of current dollar operating expenditures for plays at 4.7 percent and at 2.7 percent for musicals. These imply declines in operating expenses in constant dollars. Operating expenses in general have increased much less than have production costs, although in the last two years those of musicals have shot up conspicuously.

Table III-9 provides us with information on annual rates of increase of individual operating costs for plays and musicals between 1965-67 and 1975-77. Although, in absolute terms, total operating costs of musicals are twice as much as the total operating costs of plays, the rate of annual increase of operating costs of plays is much higher than that of musicals. An examination of individual cost items will reveal which of them are increasing fastest and what their share is of total operating expenditures.

Performers' Salaries. The single most important cost item in the total operating budget is performers' salaries. As Figures III-13 and III-14 illustrate, this expenditure is 31.8 percent for plays and 25.5 percent for musicals; and yet there has been a decline of their proportion to total operating cost from the mid-1960's levels (from 36.9 percent for plays to 34.5 percent for musicals). The annual rate of increase, as Table III-9 indicates, has been 5.1 percent for plays and 3.6 percent for musicals. Wheth the weekly take-home pay for performers is larger, in real terms, today than in the mid-1960's, is a question which will be dealt with in Chapter V.

Advertising and Promotion. Advertising expenditure is the second leading expense item in plays (19.8 percent of total operating costs) and the third largest in musicals (16.1 percent).

Figure III-11

Average Operating Expenses - Plays

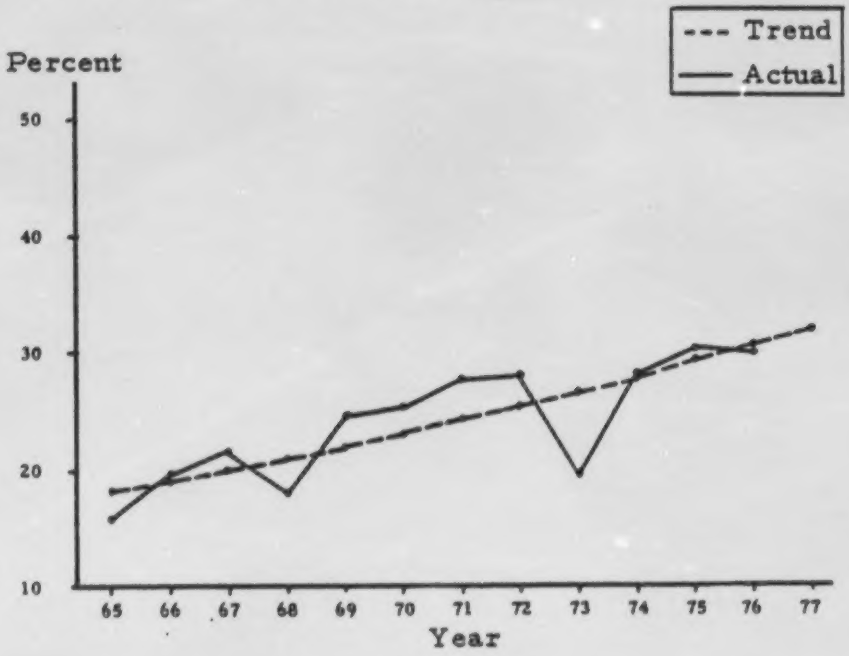
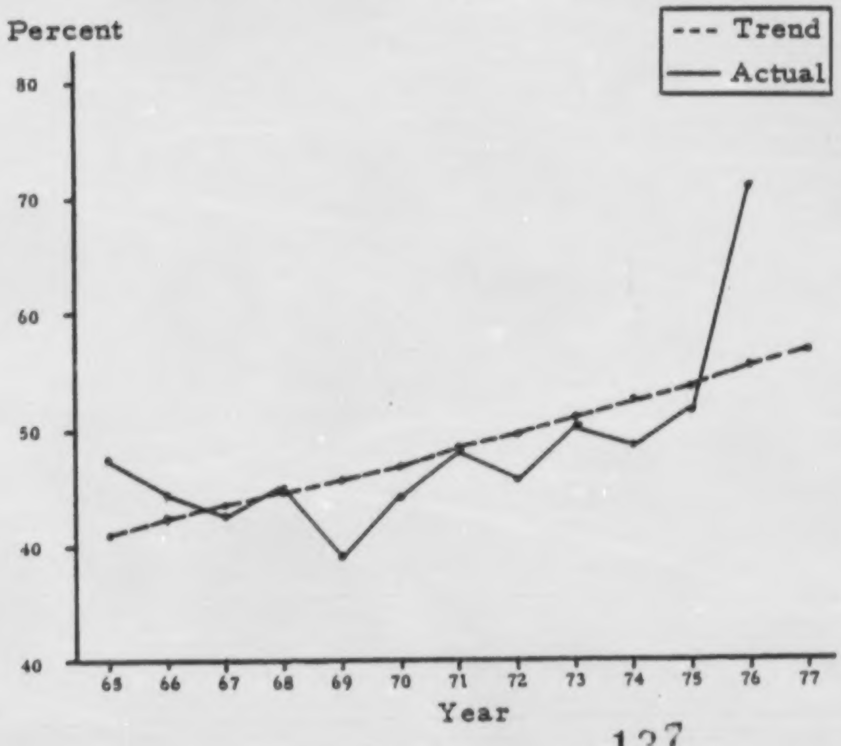


Figure III-12

Average Operating Expenses - Musicals



137

Table III-9

Breakdown of Average Weekly Operating Expenses

(Plays and Musicals)

Cost-Item	Plays			Musicals			Average Annual Rate of Increase Plays and Musicals
	1965-67	1975-77	Annual Rate of Increase	1965-67	1975-77	Annual Rate of Increase	
1. Cast-Chorus-Casting-Auditions-Principals	6,398	11,789	5.1	13,323	20,455	3.6**	4.1
2. Other Artistic Personnel	1,157	1,758	3.5	4,762	8,375	4.7	4.4
3. Fees and Royalties	2,945	5,652	5.4	13,400	17,607	2.3	2.9
4. Crew/Stagehands	1,265	1,701	2.5*	2,634	4,977	5.3	4.5
5. Departmental	376	1,895	13.5	1,400	2,347	8.8	7.3
6. General & Administrative Salaries and Expenses	1,764	3,993	6.8	2,379	14,160	14.9	12.3
7. Promotion Expenses	2,201	7,322	10.0	4,135	12,900	9.5	9.7
8. Taxes and Welfare Expenses	497	2,121	12.1	935	4,003	12.1	12.1
9. Other 1/	623	833	2.4	1,209	1,224	.1	1.0
Total	17,329	37,064	6.3	46,285	80,179	4.6	5.1

1/ "Other" includes rehearsal expenses, scripts and parts, opening expenses, insurance, etc.

* We excluded from the 1965-67 sample one show because it reported stagehands and wardrobe expenditures together.

** We excluded from the sample of 1965-67 one show because it had an unusual high cost for performers.

Source: Finance Sample I, op. cit.

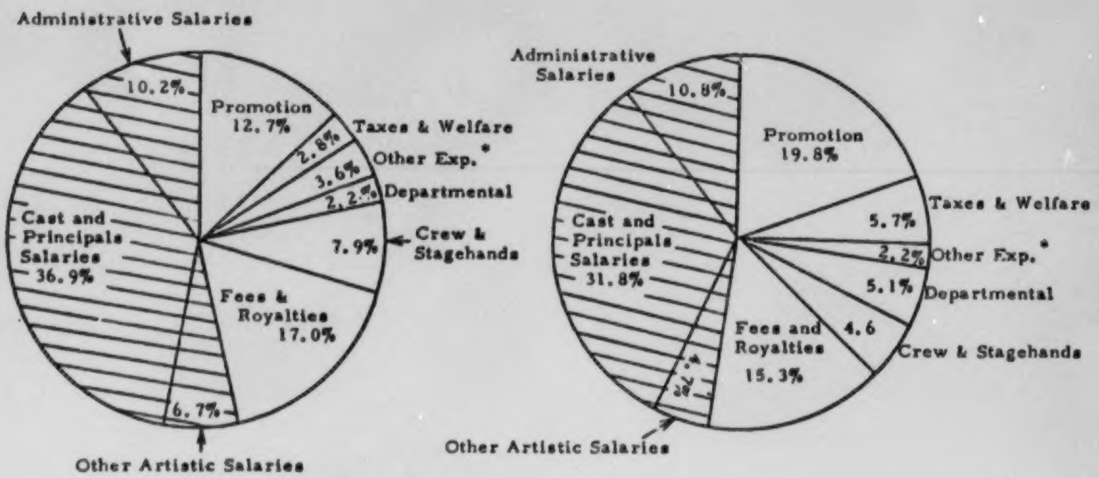
Figures III-13 and III-14 indicate that advertising expenditure has increased for both plays and musicals since the mid-1960's, growing at an annual combined rate of 9.7 percent (Table III-9). The fast increase in advertising expenditure can be attributed to attempts to compensate for the increasing competition from television and to take account of the increasing geographical dispersion of audiences. Educational channels and cable television have brought into the home a wide variety of first-rate theatre, opera, concerts, ballets and other forms of quality performances from all over the world. The opportunity to stay at home and see something worthwhile is coupled with the increasing inconveniences faced by an evergrowing population living outside the City. Moreover, the Broadway theatre district is located in the midst of a high-crime area. The thought of venturing out to spend an evening in that kind of environment plus the uncertainty about a show's quality could discourage all but the hardiest of theatre goers. Advertising and promotion must, therefore, not only try to entice these skeptical people, but also offer the outlet of buying a ticket on impulse through the relatively new marketing techniques of "Ticketron" and "Charge It." 1/

In the previous section we discussed advertising extensively. Similar observations apply here. On the average, a show that runs for a year may spend about $380,000 on advertising for plays and about $600,000 for musicals. The increasing allocation of dollars towards publicity suggests that producers realize that advertising is paying off in attracting audiences.

1/ Reportedly, computerized devices of ticket selling have contributed substantially in the higher number of tickets sold per show.

Figure III-13

Components of Operating Expenses for Plays as a Percent of Total Operating Expenses Excluding Theatre Share



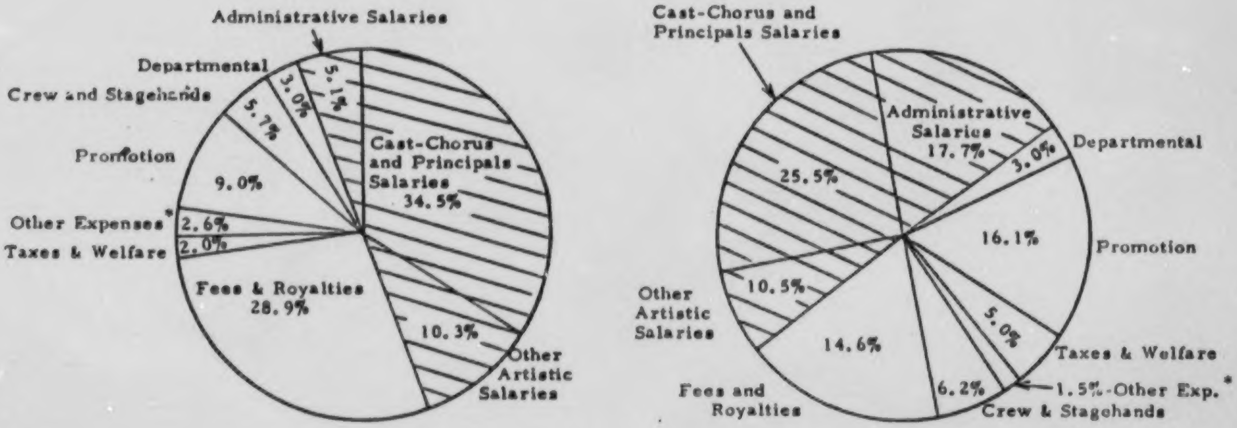
1965-69

1976-77

* Other expenses include: scripts and parts, legal, transportation, insurance, etc.

Figure III-14

Components of Operating Expenses for Musicals as a Percent of Total Operating Expenses Excluding Theatre Share



1965-67

1976-77

* Other expenses include: transportation, orchestration, scripts and parts, legal, rehearsal, insurance, etc.

Fees and Royalties. Payments to directors, designers, playwrights, etc. amount to 15.3 percent for plays and 14.6 percent for musicals. The bulk of payments to designers is made before the opening of the show; to playwrights (except for the non-refundable advance), accrues after the premiere. As Table III-9 indicates, the average annual rate of increase of fees and royalties is 2.9 percent, among the lowest of all components of operating costs; we are therefore witnessing a decline in their relative share of total operating expenditures (Figures III-13 and III-14). However, the relatively modest rate of the annual increase of weekly fees and royalties may be reflecting the fact that the 1970's have been a period to consolidate earlier gains for unions and associations and to opt for even greater security for their members in the form of greater advance payments. Whether these professionals are better off as a group, depends mainly on the length of time that percentages of box office and subsidiary rights receipts keep coming in and the actual number of professionals employed.

Administrative Salaries, Expenses, and Other Operating Costs. As described above, increasing activity in marketing innovations and paperwork associated with increasing employees' benefits, etc., has accounted for rapid increases in administrative salaries and expenses. These costs account for 17.7 percent in musicals, and 10.8 percent in plays, of the total operating costs; their rate of annual increase has been, on the average, 12.3 percent. Another fast growing group of operating costs are those for carpentering, sound and lighting, and other departmental expenditures. Although their share of total operating costs is approximately 4 percent, their rate of annual increase has been 7.3 percent over the last 12 years. Another group of operating costs with a fast rate of increase has been taxes and personnel benefits (12.1 percent per year). These have more than tripled since the mid-1960's, although they occupy only a modest share of total operating expenses (5.3 percent). Salaries for technical artistic personnel and those for stagehands and crew have been increasing at the modest annual rates of 4.4 and 4.5 percent, respectively. While salaries for technical artistic personnel account for 7.6 percent of total operating expenses for both plays and musicals, stagehands and crew account only for a modest 5.4 percent.

By and large, operating costs that account for a greater share of outlays are increasing at a slower rate than most of the relatively small expenditures. In spite of the high rates of increase for several items, operating costs as a whole have been increasing at a slower pace than production costs.

In comparing the composition of operating expenses between 1965-67 and 1975-77, we note the increasing importance of costs such as promotion, taxes and benefits, administrative salaries and expenses, and departmental costs. Since a portion of departmental costs are wages paid to stagehands in their capacity as builders and maintainers of scenery and props, this cost item reflects, in part, the rate of increase in the hourly earnings of this group of skilled laborers. Simultaneously, increases in administrative salaries and expenses reflect increasing activity in several areas such as advertising (press agent's salaries and expenses are included in administrative costs), communications, benefits, marketing, etc.

4. Other Costs

We include in this category costs incurred during the close of a show and those incurred during changes of theatre houses.

Closing Costs. Besides production and operating costs, a production company has closing expenses.[1] These expenses include adjustments of payroll, transportation and hauling, administrative salaries, accounting and audit fees (closing the books and preparing partnership tax returns), restoration of stage, "take out" stagehands' costs, unused tickets and theatre playing dates cancellation charges, insurance, payroll taxes, additional vacation pay, union pensions, and storage. The largest of these costs is usually for restoration of the stage, followed by salaries to stagehands. Using a sample of 100 shows, we recorded the closing costs they reported. The highest closing cost for plays was $23,000 and the lowest was $1,500. For musicals, the highest closing cost was $60,000 and the lowest was $3,500. Estimating the percent of closing expenses to production costs we found that, on the average, closing costs were about 7.8 percent of production costs for plays and 4.5 percent for musicals. Table III-10 illustrates the average percent of closing costs relative to the average production costs for the period 1964-77.

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[1] During closing times a production may be able to sell or rent scenery, costumes, etc., thus, offsetting some of the closing costs.

Table III-10
Average Closing Costs as a Percent of Average Production Costs
(Plays and Musicals)

Season	Plays	Musicals
1964-65	4.8	4.9
1965-66	N.A.*	5.6
1966-67	5.8	0.9
1967-68	6.0	5.9
1968-69	6.9	7.0
1969-70	14.5	4.7
1970-71	6.2	6.3
1971-72	6.1	4.0
1972-73	7.9	5.0
1973-74	N.A.*	1.4
1974-75	9.2	3.3
1975-76	9.0	4.1
1976-77	9.3	N.A.*
Average For All Years	7.8	4.5

* Not available

Source: Finance Sample I, op. cit.

Moving Costs. Sometimes, a show may have to or choose to move from one theatre house to another. Reasons for such moves are varied: prearranged contractual arrangements of the house, a move from off-Broadway to Broadway, need of a better stage, etc. From our sample we were able to obtain the moving costs of nine shows. These costs range from $5,500 (in 1966) to $69,000 (in 1973). The rate of increase of the average follows closely the rate of increase of production costs. Closing costs range between 5 and 10 percent of production costs.

5. Revenues

a. Box Office Receipts

One would think that, next to profits, gross receipts reflect the health of the theatre. Average receipts per show, per week, have improved remarkably over the last two years. Table III-1 (on page III-6) and Table III-11 below indicate yearly and weekly box office receipts for all Broadway shows in current and constant dollars. If we consider only current dollars, the spectacular increases of the 1975-76 and 1976-77 seasons are evident. Healthy rates of increase appear to continue into the present season. However, in terms of constant dollars, the pattern is less impressive: box office receipts per week actually have tended to decline over the period.

Table III-11
Weekly Box Office Receipts
Broadway
(In Thousands)

Season	Box Office Receipts Per Playing Week Current $	Box Office Receipts Per Playing Week Constant 1967 $
1965-66	42	43
1966-67	43	43
1967-68	47	47
1968-69	48	47
1969-70	51	48
1970-71	50	45
1971-72	45	39
1972-73	51	43
1973-74	51	38
1974-75	52	32
1975-76	62	35
1976-77	69	38

Source: Variety, June 8, 1977.

Average box-office receipts for plays and musicals for the period 1965-1977 are reported in Table III-12. Of these receipts, approximately 25 percen is paid to the theatre owner and the rest is the company's share.

Table III-12

Average Weekly Box-Office Receipts: Broadway

(in Thousands)

Season	MUSICALS		PLAYS	
	Current $	Constant 1967 $	Current $	Constant 1967 $
1965-66	62	64	29	30
1966-67	66	66	27	27
1967-68	69	69	29	29
1968-69	69	67	31	30
1969-70	64	60	31	29
1970-71	62	56	34	31
1971-72	57	50	29	25
1972-73	73	61	27	23
1973-74	67	50	35	26
1974-75	81	51	47	29
1975-76	86	49	48	27
1976-77	93	51	60	33

Source: Finance Sample I, op. cit.

The rates of increase of receipts are depicted in Figures III-15 and III-16. Considering the dramatic fall of receipts between 1968-73, the take-off in the mid-1970's is unique in the recent history of Broadway. Although the total revenue from all sources is the single most important factor in assessing the financial condition of a production, box-office receipts are equally important in assessing the financial gains of several people associated with a production. For example, although the theatre owners receive approximately 25 percent of the box-office gross, they have no share in the selling of subsidiary rights.

b. Subsidiary Rights and Miscellaneous Income

In the category of subsidiary income, we include earnings from the sale of the rights to produce the live show again, either domestically or abroad; earnings from the sale of motion picture rights; and earnings from television and recordings. Additional income accrues to the Company by the sale of show albums and souvenir books, rentals of equipment, costumes, etc., sales of sets and props, advertising rebates, insurance credits, interest rates from deposits, return of bonds, 1/ tax refunds, etc. Under the umbrella of "other" income, we calculated the income from all these sources. Our sample consisted of 53 plays and 58 musicals. We found "other" income in the financial statements of 33 plays and 42 musicals. Among the plays with "other" income, 19 were "successes" and 23 belonged in the categories of "undecided" or "failures."

1/ Performance bonds may be deposited with various unions or theatres with which contracts have been made.

Figure III-15

Average Box-Office Receipts - Plays

Broadway

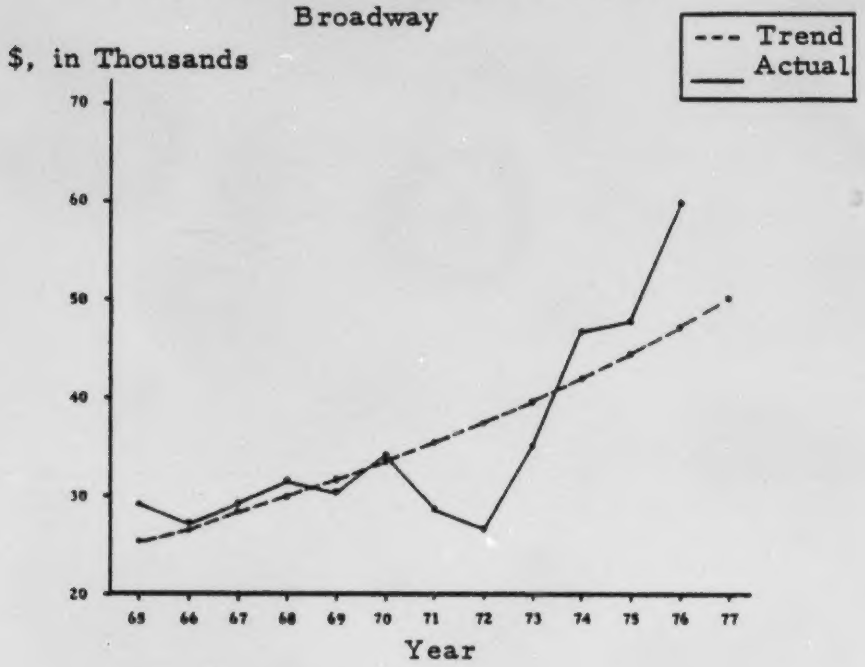
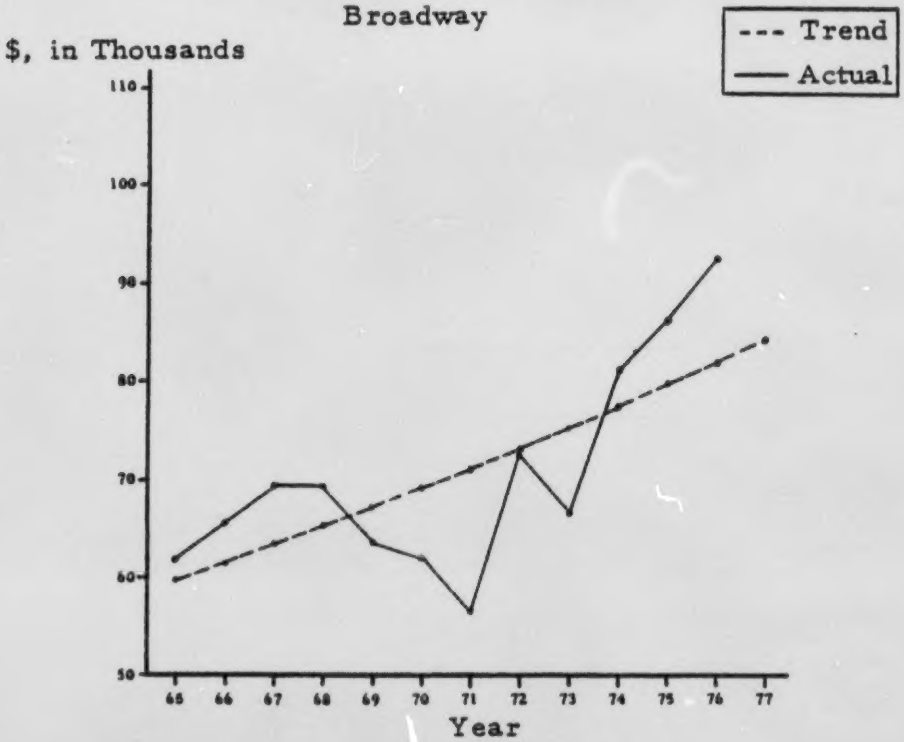


Figure III-16

Average Box-Office Receipts - Musicals

Broadway



Among the musicals, 11 were "successes" and 22 "undecided" or "failures." [1] We estimated the cumulative "other" incomes for all the shows, and arrived at the following observations: "other" cumulative incomes for successful plays covers, on the average, 160.7 percent of the total production costs of these plays. The percent of "other" income to individual production costs ranged from 10.37 percent to 784 percent. The median was 97.46 percent. For plays with undecided or failing status, the average was 5.45 percent, ranging from 0.01 percent to 27.98 percent. The median was found to be 5 percent.

Making similar estimates for musicals, we found that for successes, "other" cumulative income accounted, on the average, for 77 percent of total production costs ranging between 5.73 to 1,030.90 percent and with the median at 37 percent. For the rest of the musicals (undecided and failures), the average was 7.26 percent, the range between 0.05 percent to 38 percent, and the median 2.02 percent.

Dividing the total cumulative "other" income obtained from both successful and non-successful musicals by the total number of musicals (42 shows), we find that, on the average, each musical received $183,847. Performing the same calculation for plays (34 shows), we found that each play received, on the average, $75,080 from "other" income. Although average figures destroy the glory of big successes and smooth the poverty of failures, nevertheless, one cannot fail but to notice the importance

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1/ Based on Variety's classifications.

of "other" income for the financial health of a production. Although we were not able to find any trend in "other" income receipts, we observed that there is relative correlation between length of run and cumulative "other" income.

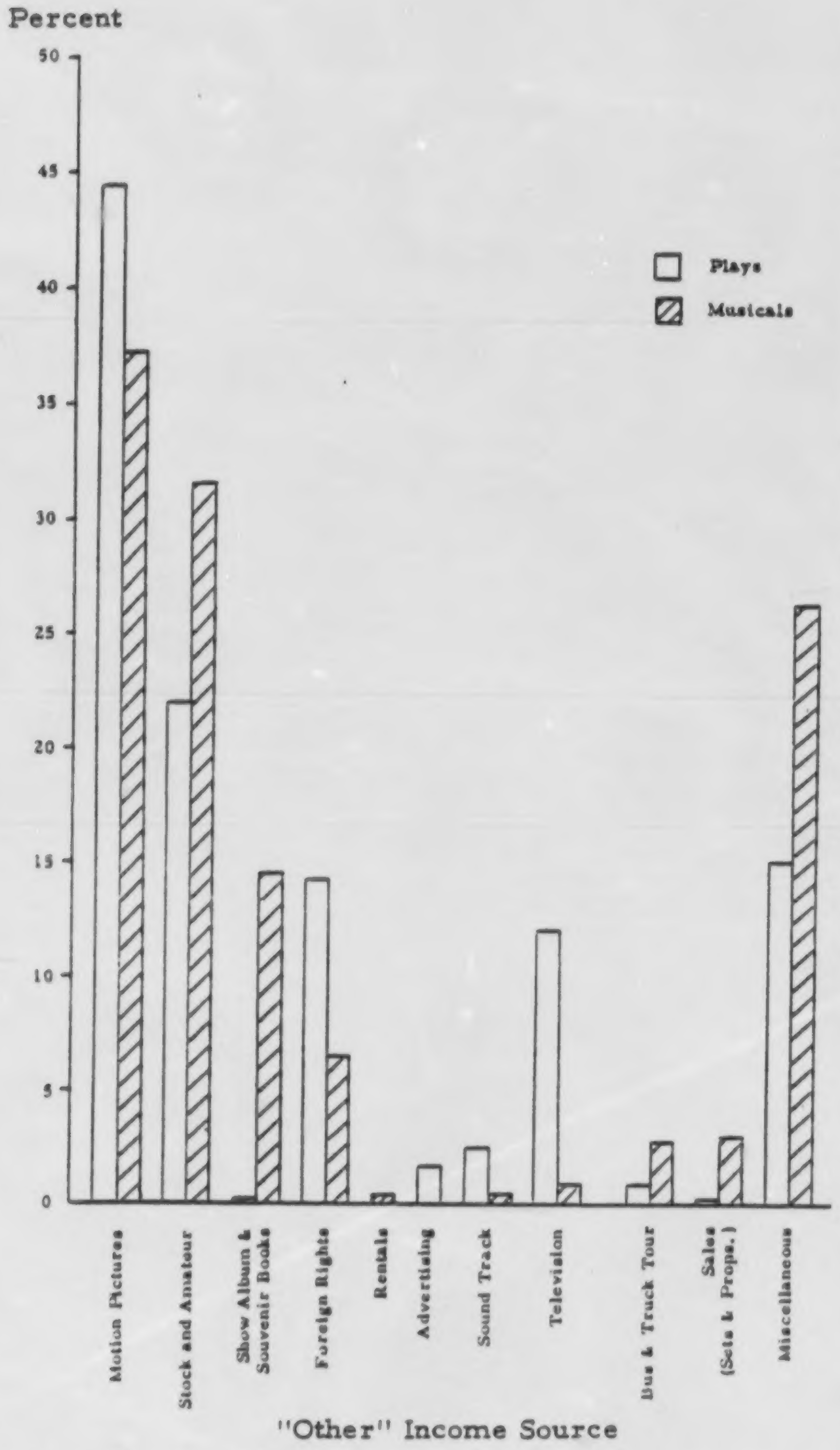
Figure III-17 shows the composition of "other" income and the relative importance of each source for successful plays and musicals.

c. Income from National Companies

The producer of any Broadway show may decide to mount another production for out-of-town -- a sort of touring company. The production costs of such a company (usually called "National") are to be paid out of the operating surplus of the New York company. The payment of these production costs take precedence over the repayment of the Broadway parent production's limited partners. Moreover, the producer/general partner makes the decision of additional touring productions unilaterally, according to the limited partnership agreement. By and large, touring companies, or the "Road," have endured the same vicissitudes as Broadway. Table III-1 in Section B of this chapter lists entire box office receipts from Broadway and for the Road for the years 1965-1977. The 1976-77 season has been a record season for both Broadway and the Road. Between 1965 and 1971 the Road lagged behind Broadway; in the 1972-73 season it surpassed Broadway momentarily, lagged behind during the next season, and has increased steadily since then.

Figure III-17

Sources of "Other" Income as a Percent of Total "Other" Income
Plays and Musicals - Successes Only



Source: Finance Sample I, op. cit.

Production costs of National Companies are apt to be much less than the production costs of the parent show (often less than 50 percent of the Broadway production). The most prominent cost items are typically transportation, hauling, and per diems.

The net profits from these companies are recorded as net profits of the parent company. Tables III-13 and III-14 show the financial profile of a sample of plays and musicals on the Road. The observations have been obtained from the financial statements (audited) of the parent companies filed with the New York State Attorney General's office. On the average, for both plays and musicals, profits exceed losses and the estimated ratios of profits to losses are 3.90 for plays and 2.55 for musicals. However, since these results are based on a rather limited sample, they are not conclusive, at best only an indication of costs and revenues.

Although we have not tried to estimate aggregate average revenues from all sources, it appears that, on the average, Broadway losses are offset for at least 50 percent by net receipts from subsidiary rights and the Road.

6. Profits and Losses

Undoubtedly, the most important question that can be asked when all is said and done about costs and revenues is "Does the commercial Broadway theatre make a profit?" The data we have examined in the preceeding subsections, along with some additional data to be presented here, provide us with the information we need to answer this question.

Table III-13

Expenditures, Receipts, Profits and Losses of National Companies - Plays

Season	Average Expenditures and Revenues				Average Profits or Losses ($)
	Running Expenses ($)	Theatre Share ($)	Total Expenses ($)	Box Office Receipts ($)	
1965-66	26,816	10,917	37,733	41,041	3,308
1966-67	21,653	12,157	33,810	39,838	6,030
1967-68	28,851	11,789	40,640	43,296	2,656
1968-69	17,449	7,340	24,789	22,422	(2,357)
1969-70	N.A.	N.A.	N.A.	N.A.	N.A.*
1970-71	33,793	19,338	53,131	57,158	4,027
1971-72	34,284	12,829	47,113	46,316	(796)
1972-73	32,487	13,421	45,908	53,660	7,752
1973-74	N.A.	N.A.	N.A.	N.A.	N.A.*
1974-75	34,078	17,243	51,321	49,991	(1,331)
1975-76	36,248	14,068	50,316	47,555	(2,762)
1976-77	32,673	14,060	46,733	51,216	4,484

Source: 23 plays from Finance Sample I, op. cit.

Table III-14

Expenditures, Receipts, Profits and Losses of National Companies - Musicals

Season	Average Expenditures and Revenues				Average Profits or Losses
	Running Expenses ($)	Theatre Share ($)	Total Expenses ($)	Box Office Receipts ($)	
1965-66	37,262	14,896	59,158	58,598	6,440
1966-67	50,487	19,148	69,635	76,593	6,957
1967-68	42,790	16,573	59,363	64,739	5,376
1968-69	40,216	13,646	53,862	59,383	5,521
1969-70	39,970	14,505	54,475	51,552	(2,923)
1970-71	49,429	15,976	65,405	58,414	(6,990)
1971-72	43,824	11,307	55,131	59,989	4,858
1972-73	60,039	15,770	75,809	82,119	6,259
1973-74	50,849	16,710.	67,559	69,118	1,542
1974-75	72,273	33,854	106,127	121,698	15,571
1975-76	70,595	24,656	95,251	86,097	(9,154)
1976-77	68,028	23,521	91,549	93,823	2,273

Source: 25 musicals from Finance Sample I, op. cit.

* N.A.: Not available.

The question of profitability hinges on whether or not commercially produced shows earn enough to repay their investors, including a reasonable return on the investment they have made. To determine whether shows, on the average, do earn this amount, we must examine the pattern and magnitude of cash flows that arise when a production is undertaken.

Ignoring for the moment cash flows associated with National Touring Companies, there are four main types of cash flow associated with a commercial Broadway production. First, there are the production outlays. These are (as was explained in Section B.2 above) the expenses that are incurred prior to opening. Second, there are weekly operating costs and weekly operating revenues, which may be netted to compute a weekly operating margin. This margin, which may be either positive or negative, is the weekly contribution of profit. Before recoupment of production costs, it represents a contribution to recovery of those costs; after recoupment of all costs, it represents a pure gain.

The third main type of cash flow is income from subsidiary rights (see Section B.5). This income is not directly related to the regular producing and performing operations of the company. When it is received, it provides a further offset against production costs and/or contribution to profit.

The fourth main type of cash flow is closing costs. As explained in Section B.3, these are the costs associated with liquidating a company's performing operations.

To compute an estimated profit rate, we made estimates of the size and timing of these four types of cash flow by averaging selected data over the period 1965-66 through 1976-77. We have performed this averaging to eliminate cyclical variability noted elsewhere. The averages thus computed are shown below in Table III-15. As can be seen from this table, the only distinction between cash flows of successes and failures that we make are for operating margins and other income. We found no evidence in our data that there are systematic differences of production costs between successes and failures. We assume that the average operating margin of failures is zero. This is probably not an unreasonable estimate since failures consist both of shows that loose a little or a lot of money on operations as well as some that make a little.

In order to convert the estimated average cash flows into an estimated profit rate, we also need information on the timing of the cash flows. Obviously, production costs come first, and are incurred at the beginning of a production. Operating margins, if any, are accrued during the time a show plays, and closing costs are incurred when it closes. Other income may accrue during the time a show is in production, running and after it closes. For purposes of estimating a profit rate, we assume that all other income is accrued at the time the show closes. This probably will result in a slight underestimate of the profitability of investments in for-profit Broadway productions.

The final information we need to complete our calculations is information of the length of run of successful plays and musicals, and on the probabilities that any given musical or play produced will be a success. These data are shown below in Table III-16, which shows, for example, that the probability that any given musical will turn out to

Table III-15

Estimated Average Cash Flows

1965-66; 1976-77

Musicals	
(1) Average Production Cost	$493,528
(2) Average Weekly Operating Margin Successes	14,633
(3) Average Weekly Operating Margin of Failures	0
(4) Average Other Income - Successes	380,016
(5) Average Other Income - Failures	35,830
(6) Average Closing Costs	22,209
Plays	
(7) Average Production Costs	$147,876
(8) Average Weekly Operating Margin of Successes	8,397
(9) Average Weekly Operating Margin of Failures	0
(10) Average Other Income - Successes	237,637
(11) Average Other Income - Failures	8,059
(12) Average Closing Costs	11,534

Sources by Line Number:

(1) Average of Column 1, Table III-4.
(2) Average of Column 1, Table III-18.
(3) Assumption. Chapter III.
(4) Percentage reported in Chapter III, Section A. 5 times line (1) of this table.
(5) Percentage reported in Chapter III, Section A. 5 times line (1) of this table.
(6) Percentage reported in Chapter III, Section A. 4 times line (1) of this table.
(7) Average of Column 2, Table III-4.
(8) Average of Column 3, Table III-18.
(9) Assumption
(10) Percentage reported in Chapter III, Section A. 5 times line (6) of this table.
(11) Percentage reported in Chapter III, Section A. 5 times line (1) of this table.
(12) Percentage reported in Chapter III, Section A. 4 times line (6) of this table.

be a success is about 37 percent, while the corresponding probability for plays is about 25 percent. This table also shows that the successful musical, on the average, runs for a little over 80 weeks on Broadway, while the successful play on the average runs for about 48 weeks.

Table III-16

Average Lengths of Run of Successful Broadway Plays and Musicals and Probabilities of Success

	Average Length of Run Weeks	Probability of Success *
Plays	48.25	0.25
Musicals	80.625	0.37

Source: Tabulations of data in Theatre World, by John Willis.

* Determined by dividing number of successful shows by number of shows produced.

Our calculations of the rate of return on investments in commercial Broadway productions can best be explained by following step-by-step through the procedure used to calculate the rate of return on investments in musicals. First, let us recapitulate the two different average streams of cash flow (one for successes and one for failures) that we have estimated for musicals. For successful musicals, there is an immediate outlay of $493,528, followed by 80.625 weeks of earnings of $14,633 per week, and one-time receipts from other sources net of closing costs of $344,186 (i.e., $380,016 less $22,209) booked at the end of 80.625 weeks. For failing musicals, there is an immediate outlay for production costs of $493,528, an immediate outlay for closing costs of $22,209, and an immediate one-time receipt from other sources of $35,830. [1/]

The cash flow pattern for successes occurs on the average about 37 percent of the time, and that for failures occurs 63 percent of the time (see Table III-16). The average cash flow pattern, then, obtained by applying the percentage weights to the cash flows for successes and failures is as follows: an immediate outlay of $484,947 (i.e., 0.37 x $493,528 + 0.63 x ($493,528 + $22,209 - $35,830)), followed by 80.625 weeks of operating margins of $5,414 (i.e., [0.37 x $14,633] + [0.0 x 0]), with a one-time receipt from other sources net of closing costs of $127,349 (i.e., 0.37 x $344,186).

The final step is to compute, by computer methods, the rate of return that makes the present value of this cash flow stream just equal to zero. When we perform this calculation, we obtain an estimated rate of return of 0.3153 percent per week, or about 16.39 percent per annum.

A series of steps exactly the same as those we have just followed can be applied to the data on plays shown in Tables III-15 and III-16. When this is done, we obtain an estimated rate of return of 0.1474 per week, or about 7.66 percent per year.

The final step in computing an overall rate of return is to weight these two rates of return by their percentage shares of total investment

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[1/] Recall that we assume that other revenue is received at the time the show closes. We assume that failures are closed within one week.

accounted for by musicals and plays, and add them up. When this is done, using the investment figures shown in Table III-3 above to compute the weights, we obtain an estimated overall rate of return of about 13.18 percent per year. This does not, as noted above, include any analysis of return to National Touring Companies spawned by the parent Broadway company. Since we believe these operations to be more profitable, on the average, than Broadway operations, the rate of return of 13.18 percent probably understates overall profitability of the combined operation, that is, that of the parent company in New York and that of the wholely owned national touring company on the road.

Severl comments on our estimate are in order. First, the return we have calculated above is the total return on investment, including both that which accrues to the general partners and that which accrues to limited partners. The limited partners, who frequently put up most or all of the money, thus do not fare anywhere near this well. To see why this is so, let us re-examine the calculation of the rate of return on investments in musicals, assuming that limited partners put up all of the money, and that the partnership agreement awards, as is common, all net revenue to the limited partners until their investment is reimbursed and thereafter splits income between the limited partners and the general partners on a 50-50 basis. Under these assumptions, which are not unreasonable in light of standard partnership agreements, the limited partners' average cash flow, accounting for both successes and failures, arising from their investment in musicals will be as follows: an immediate outlay of $484,947, followed by 33.727 weeks of earnings of $5,414 per week, followed by 46.898 weeks of earnings of $2,707 per week, with a one-time receipt from other sources net of closing costs of $63,675.

Under this set of conditions, the Limited Partners actually have a negative rate of return on their investment. This is easily demonstrated by noting that the total payments received by Limited Partners under the conditions outlined above are about $373,226 (i.e., [33,727 x $5,414] + [46.898 x $2,707] + $63,675). Thus, on the average, Limited Partners do not even recover their investments.

This explains, undoubtedly, why Partnership Agreements usually contain some language such as the following:

> A purchaser of the Limited Partnership Interests being offered hereby should be prepared to lose his entire investment because of the nature of theatrical undertakings.

We must hasten to add that this calculation, which shows that the Limited Partner loses on his investments even though the partnership (including General Partner/Producers) gains, does not necessarily mean that the General Partners are profiting at the expense of Limited Partners. General Partners invest time and resources into the search for properties and formation of Partnerships that often are not reflected fully Production Costs. The income earned from management fees, office charges, and their 50 percent share of any net profits must yield a return on these costs. In the absence of data on the finance of General Partners, we can reach no conclusions about whether or not the division of income customarily provided in Partnership Agreements results in extraordinary returns to General Partners.

The second point we should make concerning our estimated rate of profit is that we have no sure way of knowing whether investment in Broadway productions has become more or less profitable over the years. Reportedly, one study concludes that investment in Broadway shows between 1948 and 1958 yielded a rate of return of 19.5 percent per year.[1] Unfortunately, we have been unable to examine the source of this estimate, and therefore do not know how to relate it to our own.

We do, however, have some additional data which tend to suggest that the return on investment has fallen. The fastest growing items for both plays and musicals are production costs, as Table III-17 shows.

Table III-17
Annual Rates of Increase of Selected Theatre Financial Indicators
1965-1977

	Capitalization	Production Costs	Operating Costs	Box Office Receipts	Recoupment Period	Operating Margin	Theatre Share
Plays							
Successes	-	-	-	-	4.5	6.8	-
Non-Successes	-	-	-	-	-	-	-
Both	6.4	10.7	4.7	5.6	-	-	5.6
Musicals							
Successes	-	-	-	-	4.7	3.8	-
Non-Successes	-	-	-	-	-	-	-
Both	4.1	4.7	2.7	2.8	-	-	5.6

Source: Finance Sample I, op. cit.

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[1] Reported in Moore, T.G., op. cit., p. 12.

We observe that the rate of increase of investment in productions has lagged behind that of production costs (6.4 percent vs. 10.7 percent for plays; 4.1 percent vs. 4.7 percent for musicals). The very low rate of return to limited partners estimated above undoubtedly explains the difference in the rates of increase of production costs and venture capital supplied. This gap reflects greater responsibility and risk on the producer. It is also evident from Table III-17 that production costs have grown more rapidly than operating margins. This means, other things being equal, that recoupment periods have lengthened. Indeed, Table III-17 reports that recoupment periods have been increasing since 1965 at an annual rate of 4.5 percent for plays and 4.7 percent for musicals.

Table III-18 shows average profit margins and estimated recoupment periods of investors' money. Our estimates assume that there are no debts that have priority over the investors' money. Figures III-18 and III-19 indicate the trends in operating margins for plays and musicals. Operating margins for musicals seem to increase less than those of plays. Figure III-20 shows the rates of increase in recoupment time. Clearly, recoupment periods for plays are shorter than for musicals. However, it must be stressed that our estimates in these tables and figures are based only on revenues from box-office receipts. As we have shown, "other" receipts may cover all or a substantial part of production costs. This suggests that for plays and musicals that have net revenues from subsidiary rights, national companies, or other sources, recoupment periods might be shorter than those indicated in Table III-18.

1/ These rates have been calculated from the data on Table III-18.

Table III-18

Average Weekly Operating Margin and Recoupment Period

(for Successes)

Season	Operating Profit - Plays ($)	Average Recoupment Weeks	Operating Profit - Musicals ($)	Average Recoupment Weeks
1965-66	5,783	12.2	15,161	19.8
1966-67	6,190	13.8	17,638	26.0
1967-68	5,868	14.5	11,108	37.6
1968-69	7,093	15.8	10,146	52.7
1969-70	7,593	15.9	14,187	32.9
1970-71	6,445	18.3	18,826	27.8
1971-72	8,699	17.4	14,296	36.1
1972-73	9,190	18.2	14,458	32.8
1973-74	9,968	19.0	10,505	48.1
1974-75	10,120	20.0	22,000	30.2
1975-76	11,125	20.0	14.516	43.6
1976-77	12,692	21.3	12,762	47.9

Source: Finance Sample I, op. cit.

Figure III-18

Average Weekly Operating Margin, Plays (Successes) - Trend

(1,000 $)

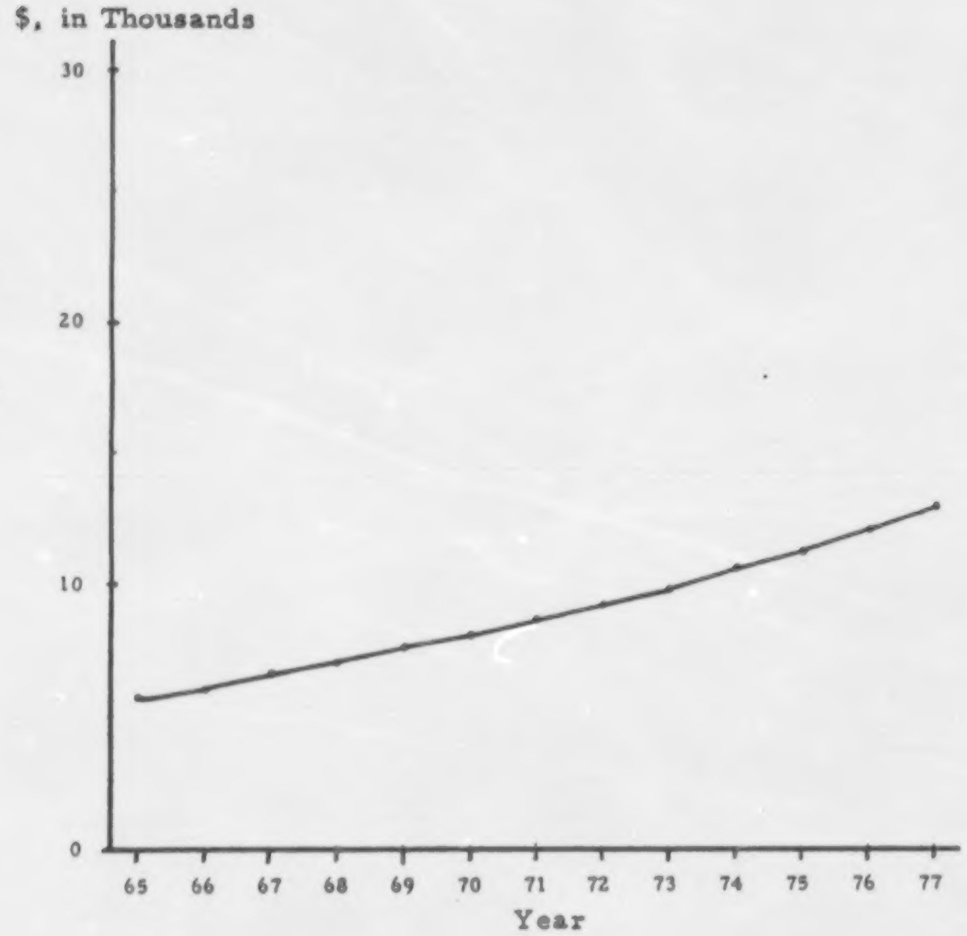


Figure III-19

Average Weekly Operating Margins, Musicals (Successes) - Trend

(1,000 $)

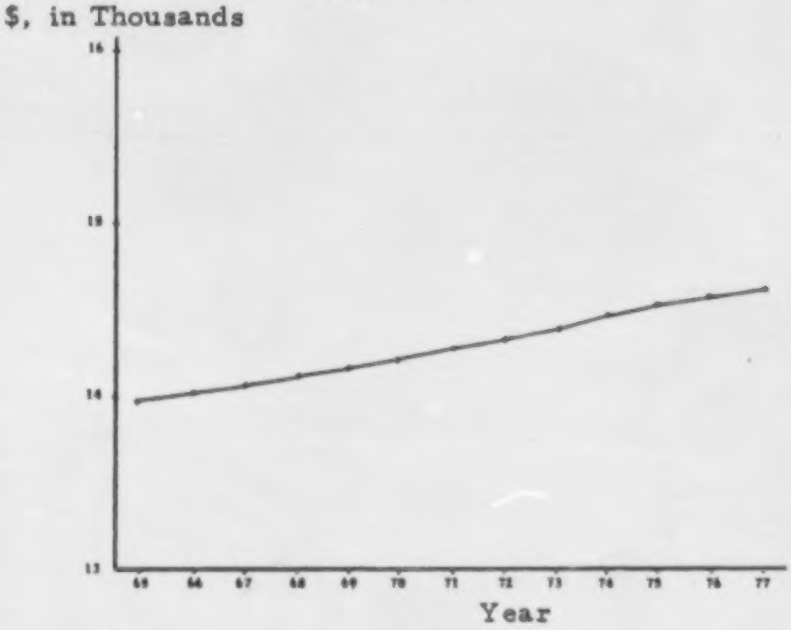
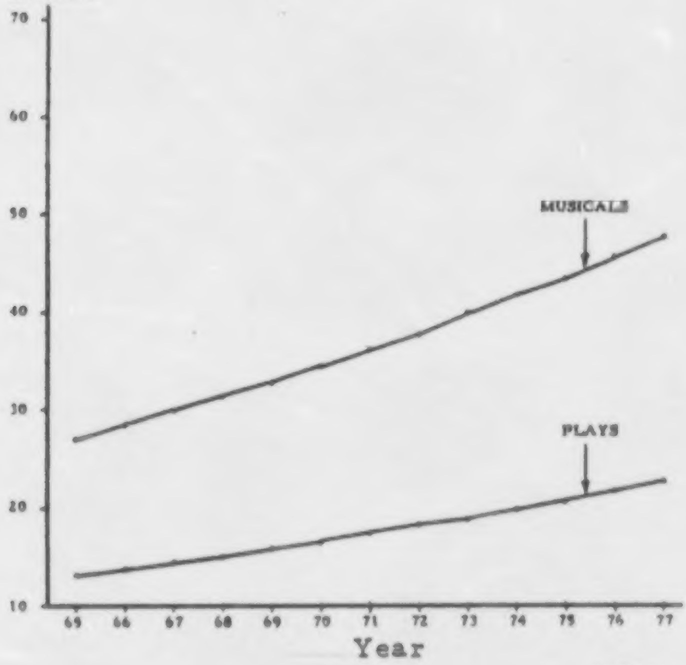


Figure III-20

Average Recoupment Period - Musicals and Plays

(Weeks)



Another qualification that should be made regarding our computation of rates of return is that there are losses and gains for individual participants. For example, performers, playwrights and other artistic personnel have made gains in income security (increasing guaranteed minimum compensations); producers have increased their risks, since increasing advance payments to personnel has shifted the risk from performers, etc. to the producer; the theatre owner's share has remained stable for the last ten years. However, with successes running longer than before, the turnover of shows may be less and so also their expenses in bringing in a new show. Moreover, theatre owners are now co-producing both publicly and privately funded shows. This new shift in their activity enhances both their risks and their profitability.

7. Conclusions

The data we have examined indicate that theatre activity has been stable or has increased over the last decade. Current dollar investment in Broadway productions has increased over the period 1965/66 to 1976/77 at a rate of approximately 5.9% per year. While we do not have an index of the rate of inflation in the cost of Broadway productions, if we assume that these costs have increased at approximately the rate of the wholesale price index over the same period (approximately 5.9%), we conclude that in constant dollars, annual investment in Broadway productions has remained approximately unchanged.

The number of productions on Broadway exhibits no trend over the period 1952/53 - 1976/77. While data for an extended period do show a fairly steady decline in the number of productions over the period 1928/29 to 1952/53, since that time the number of productions seems to have fluctuated with no sign of any trend. The estimated rate of return on investment in Broadway productions over the period 1964/65 - 1976/77 averaged 13.18%. We do not know how this compares with returns in the past, although reportedly it has been estimated that the rate of return on investment in Broadway shows over the period 1947/48 - 1957/58 was approximately 19.5 percent.

C. Larger Not-For-Profit Theatre [1]

The larger not-for-profit theatres are primarily concentrated in the northeast part of the Nation, in the midwest, and on the west coast. From our data on 59 theatres we found, as Table III-19 shows, that in the aggregate their operating expenditures for 1976 - 77 were $61,403,645;[2] their total income from earned sources and contributions amounted to $59,589,387 and their total deficits to $1,814,258 (3 percent of total expenditures).

Table III-19

Budgets of 59 Larger Not-For-Profit Theatres: 1976-77

	Earned Income	Unearned Income	Total Income	Total Expenditures	Surplus (Deficit)
	38,087,685	21,501,702	59,589,387	51,403,645	(1,814,258)
Percent to Total Expenditures:	62.	35.	97.	100	(3.)

Deficits have been incurred by 25 theatres (42 percent of all theatres) and their amounts ranged from $180 to $244,235. The median deficit was $51,070. Of the remaining 34 theatres, 39 percent had balanced budgets and 18.6 percent had surpluses; the surpluses ranged from $730 to $121,100 and totaled $165,014. Although the bulk of income comes from ticket sales, an additional 38 percent has to be made up from contributions in order to meet costs.

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[1] In this section, our analysis is based on data for 59 larger not-for-profit theatres obtained from the National Endowment for the Arts, the Ford Foundation and the Theatre Communications Group (hereinafter cited as Finance Sample II).

[2] In the case of the not-for-profit theatre we treat both production and operating costs together because they are not reported separately.

Table III-20 shows the total operating budgets of thirty theatres for selected years. The increase of all components of the budget between 1965-66 and 1976-77 was substantial. This was perhaps due to the particular circumstances surrounding the not-for-profit theatre at that time. The Guthrie Theatre was founded in 1963, and with it the whole regional not-for-profit movement accelerated. Just two years later, the National Endowment for the Arts was established in 1965. The sixties and early seventies were thus formative years.

In examining trends in financial conditions,[1/] we estimated rates of growth of selected budget items over both the 1965-1977 and the 1970-1977 periods. These rates are summarized in Table III-21.

The growth rates reported in this table lead to two interesting conclusions. First, we note that all growth rates outstrip the rates of growth of the wholesale and consumer price indexes over a comparable period of time. This means that on all accounts, it appears that the real expenditures on the activities of these thirty theatres have increased. Second, we see that the growth rates of earned income and total operating expenditures are nearly equal (particularly over the 1970's). This means that the proportion of the budget covered by earned income has remained roughly constant over the recent past (we shall see additional graphical evidence of this in Figure III-28).

[1/] Estimates were made from the data of Table III-20.

Table III-20

Budget Information for Thirty Larger Not-For-Profit Theatres Selected Years

YEAR	OPERATING INCOME						Total Operating Expenditures (dollars)	Surplus (+) or Deficit (-)	Percentage of Earned Income to Total Oper. Expenditures	Percentage of Unearned Income to Total Oper. Expenditures
	EARNED INCOME		UNEARNED INCOME		TOTAL INCOME					
	Amount $	Percentage to Total Income	Amount $	Percentage to Total Income	Amount $	Percentage				
65-66	8,920,997	76.6	2,732,489	23.4	11,653,486	100.0	11,955,735	- 302,249	74.6	22.9
67-68	13,193,985	71.2	5,335,473	28.8	18,529,458	100.0	19,929,917	-1,400,459	66.2	26.8
70-71	14,110,660	67.3	6,856,740	32.7	20,967,400	100.0	21,187,170	- 219,770	66.6	32.4
71-72	14,409,965	64.9	7,798,707	35.1	22,208,672	100.0	22,133,318	+ 75,354	65.1	35.2
72-73	16,953,817	63.5	9,742,137	36.5	26,695,954	100.0	25,978,747	+ 717,207	65.3	37.5
73-74	17,475,241	63.2	10,154,799	36.8	27,630,041	100.0	27,660,029	- 29,988	63.2	36.7
76-77	23,482,928	65.1	12,569,323	34.9	36,052,251	100.0	37,166,244	-1,113,993	63.2	33.8

Sources: 1965-1974 data from Ford Foundation; 1976-1977 data from Finance Sample II, op. cit.

Table III-21

Rates of Annual Increase of Income and Operating Expenditures for Thirty Larger Not-For-Profit Theatres

	(1965-1977)	(1970-1977)
Earned Income	7.8%	8.8%
Unearned Income	13.2%	9.9%
Total Income	9.4%	9.1%
Operating Expenditures	9.1%	9.6%

1. Operating Costs

Our examination of the records of 59 larger not-for-profit theatres in our sample has convinced us that no two budgets are alike. Both the magnitude and the relative composition of a budget may be influenced by a number of factors, which we shall discuss below.

One important factor in the budget of a non-profit theatre may be the number and nature of productions per season. While a greater number of productions may entail a higher budget, the marginal cost [1/] of each additional production may be small up to a certain number -- especially if there is "recycling" of performers, scenery and props from production to production. Production costs will be different for classics with large casts and for contemporary small-cast plays. Repertory companies will have higher costs than a 4-6 plays production season with monthly intervals among them. Costs may also differ among the repertory companies. A program with totally dissimilar productions requiring constant removal of elaborate scenery and props will cost much more than a single adaptable set. Of course, the audience may not agree with such cost-control measures. [2/]

[1/] There are a number of quasi-fixed cost items that are incurred in both salary and non-salary categories which are not related to the number of productions, (or are subject to economies of scale) e. g. permits, advertising, legal and accounting fees, basic maintenance, insurance, etc.

[2/] There are limitations in the cost-control capability of any theatre. The constraints are more severe in non-tourist areas, and when the bulk of box-office receipts is based on subscriptions. The effects of economy measures, in the latter case, will be felt by a fall in subscriptions during the next year's season.

Another important variable in the cost composition of a budget is whether performers are permanently employed by the organization or are hired on an ad hoc basis to perform for the season or for an individual play. Besides the fact that ad hoc hirings economize on year-round salaries, they may also exploit the part-time availability of performers from near-by television or film studios. This opportunity for low-cost arrangements is available to organizations that are near such centers. On the other hand, if an organization is located in an area that does not offer complementary employment outlets for performers, artistic salaries and contractual arrangements may take a larger share of the budget, provided quality artists are to be attracted.

The housing of an organization is also an important variable of the budget. Besides the strong correlation of the age of the building with maintenance costs, budgets are influenced also by the practicality of a given facility. The larger the size of a facility the higher the cost. However, beyond an optimal number of seats, costs related to the size of the theatre may skyrocket, especially, if there is unused capacity. 1/ Other factors related to the practicality aspects of a facility are individual or central switching electrical systems; proper insulation; availability of more than one stage (for rehearsals or simultaneous productions), etc. Finally, the cost of facilities will be different for those organizations that rent from those that own the theatre.

1/ If the theatre's special appeal to audiences is based on the "live" aspect of performances, the larger the size of a theatre the lower may be the percent of attendance to total capacity.

Geographical location may also be an important factor contributing to budget variability especially if different rules and regulations prevail with regard to public buildings' safety and insurance, personnel hiring, materials availability, etc. Besides the variability in institutional rules and regulations, there may be variability in the supply of stage help and maintenance, workmanship, availability of finished or intermediate materials, local pricing of fuel and electricity and complementary employment outlets for the theatre personnel. [1]

Another factor affecting cost is the extent to which a theatre undertakes experimental work. New ideas are costly because they may often entail longer than usual rehearsal time and a certain amount of waste both in materials and wage and/or salaried personnel, etc. But for the theatre's survival, it has to be constantly in touch with new trends and ideas in order to keep from stagnation and in order to keep the spirit of creative arts alive.

a. Budget Shares

In analyzing the relative share of individual items in total operating expenditures our greatest problem was the variation in reporting found in the financial statements of individual theatres. As the

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[1] Theatre is, by and large, a seasonal service industry. Theatre personnel's respite periods should not be viewed as conventional type of unemployment. Consequently, complementary employment opportunities for theatre personnel may be viewed as part of the total employment picture of artistic and non-artistic personnel. Since there are several sectors with seasonal needs, the proximity of a large theatre to such sectors constitutes an economic benefit for the community by absorbing seasonal unemployment or supplying seasonal employment.

Exhibits in Figure III-21 indicate, several cost items are often lumped together. For example, administrative costs are lumped together with salaries of artistic and support personnel (Exhibits A, B, C and D); special programs with advertising (Exhibit B). Other cost items that normally occur in the course of operations may often be omitted, (Exhibit D). What this small sample of Exhibits suggests, is that there are problems in assessing consistently the composition of production and operating expenditures of not-for-profit theatres; moreover the year-to-year format of reporting may be different for the same theatre. The variability of reporting is coupled with inherently dissimilar budgets for the reasons discussed above.

Although these limitations have not made our task an easy one, we have been able to construct a fairly good picture of the finances of the not-for-profit theatres.

Our analysis of budget shares is based on two sets of data. One set of data is from the Ford Foundation Survey of Finances of Performing Arts Organizations for 1965-66 through 1973-74. We use these data for computing our rates of annual increase for individual cost items up to 1974. The other set of data is from financial statements for the same theatres for the fiscal year 1976-1977; these cross-sectional data were also used for analyzing the composition of operating expenditures. However, the two sets of data are not really comparable, because it was not feasible to combine all cost items the way they were reported in the Ford Foundation survey.

1/ This is the usual way that the not-for-profit theatres report their expenditures, mainly the result of the nature of their operations. These theatres do not consider the production and operating phases of their operations separately. Rather these two phases are treated as part of a continuous process.

Figure III-21

Examples of Expenditure-Reporting by Larger Not-For-Profit Theatres

EXHIBIT A

- Administration Payroll & Fees
- Production Payroll & Fees
- Payroll-Off-Season
- Bad Debts
- Depreciation
- Fund Raising Expense
- Office Expense
- Telephone
- Heat and Electricity
- Advertising and Publicity
- Show Production Expenses
- Maintenance and Repairs
- Rent Expense
- Interest Expense
- Travel and Entertainment
- Payroll Taxes
- Subscription Drive Expense
- Bank Charges & Miscellaneous Expense
- Tuition
- Casting
- Tickets
- Scripts
- Dues and Subscriptions
- Insurance
- Legal and Accounting
- Prescott Park Expenses
- Education Expenses
- Concessions and Coffee Expenses

EXHIBIT B

- Salaries
- Employee Benefits
- Payroll Taxes
- Royalties and Scripts
- Set Costs
- Electronics and Sound
- Prop Costs
- Costumes
- Music
- Advertising and Programs
- Photos, Signs, Cuts and Mats
- Rent
- Maintenance
- Utilities and Telephone
- Supplies and Concession Expense
- Insurance
- Amusement Tax
- Travel and Entertainment
- Interest
- Miscellaneous
    - Total Expenses Before Depreciation
- Depreciation of Equipment

EXHIBIT C

- Salaries, Wages and Fees
- Contract Services
- Payroll Taxes
- Rent (Note 2)
- Advertising and Publicity
- Travel
- Production Costs
- Office and Administrative Expense
- Telephone
- Interest
- Utilities
- Insurance
- Repairs and Maintenance
- Cleaning
- Acquisition of Equipment (Note 1).
- Accounting and Audit
- Other

EXHIBIT D

- Personnel
    - Salaries and Fees
    - FICA, NH Unemploy
    - Union Benefits
    - Staff Services:
        - Travel
        - Housing
        - Other
- Production
    - Designs, Director Adv. Work
    - Technical/Scenery, Lights
    - Costumes/Barn Rent
    - Properties, Set Dec
    - Royalties/Scripts
    - Musicians/Rentals
- Festival Facilities
    - Supplies, Rents
    - Utilities (SVT-Summer)
    - Capital Improvements
- Office-Season Preparation
    - Office/Other
    - Prod. /Plan.
    - Telephone
- Supporting Activities
    - Kids Specials
    - Monday Music Specials
    - Raffle, Rund-Raising
    - Program Book
    - Art Exhibits, Fests
    - Concession (Coke Stand)
- Promotion/Public Relations
- Building Rent

Total operating costs may be divided into two main categories: salary and non-salary costs. Table III-22 reports average expenditures for thirty theatres for selected years between 1965 and 1974. The budgets of these theatres in the 1976-77 period ranged from $367,190 to $4,020,000. The percent composition of average budget per theatre is shown in adjacent columns of Table III-22. The computed annual rates of increase for each cost item are listed in Table III-23.

Salary costs take the larger portion of the budget. Artistic salaries (performing and non-performing personnel) account for 28.9 percent of the total budget (a slight decrease in their share since 1965). Total non-performing artistic salaries have been increasing faster than salaries of performers (9.2 vs. 7.9 percent). 1/ Salaries for stagehands and crew account only for 9.7 percent of total expenditures, during the 1973-74 period, but their annual rate of increase is 10.1 percent. Administrative salaries have increased their relative share of total expenditures since 1965 and their rate of increase has been at 10.4 percent. The fastest growing item in the salaries category is employees' fringe benefits, at a rate of 13.5 percent. In the 1973-74 period fringe benefits account only for 6.4 percent of operating expenditures, but they have increased their share by 69 percent since 1965.

1/ In computing the rate of increase of individual cost items we took into consideration both the 1960's and 1970's data. As may be recalled, Table III-21 showed that the annual rate of increase of total expenditures is higher (9.6 vs. 9.1 percent) if the computation is based on the 1970's data. Therefore, the individual rates that we have computed in Table III-23 would be slightly higher or lower if we would have taken only the 1970's data. The difference is small enough to be statistically insignifica

Table III-22

Average Salary and Non-Salary Costs for 30 Larger Not-For-Profit Theatres, Selected Years 1965-74

Cost	1965-66		1967-68		1970-71		1971-72		1972-73		1973-74	
	Amount	% To Total	Amount	% To Total	Amount	% To Total	Amount	% To Total	Amount	% To Total	Amount	% To Total
Salaries:												
Artistic	124,296	31.2	198,175	29.8	209,868	29.7	224,512	30.4	255,762	29.5	266,213	28.9
Stagehands/crew	32,408	8.1	69,518	10.5	62,323	8.8	72,254	9.8	80,861	9.3	89,499	9.7
Employee Fringe Benefits	17,569	4.4	33,572	5.1	39,421	5.6	42,251	5.7	54,725	6.3	59,099	6.4
Administrative	58,040	14.6	104,836	15.8	119,845	17.0	121,442	16.5	138,933	16.0	151,994	16.5
Total Salaries	232,312	58.3	406,101	61.1	431,457	61.1	460,459	62.4	530,280	61.2	566,805	61.5
Non-Salary Costs:												
Departmental (Scenery, costume, etc.)	38,204	9.6	55,007	13.8	50,585	7.2	55,007	7.5	75,114	8.7	71,468	7.8
Facilities and related costs to their maintenance	33,409	8.4	48,272	12.1	49,935	7.1	47,550	6.4	55,981	6.5	62,274	6.8
Transportation, Travel, etc.	5,189	1.3	11,137	2.8	12,922	1.8	16,607	2.3	20,379	2.3	24,191	2.6
Royalties	9,780	2.5	16,854	4.2	17,760	2.5	18,389	2.5	20,379	2.4	25,679	2.8
Fund raising costs and fees	2,873	0.7	6,649	1.7	4,627	0.7	4,827	0.7	5,836	0.7	5,487	0.6
Subscription/promotional	36,823	9.2	61,929	15.5	71,025	10.1	66,295	9.0	77,929	9.0	80,874	8.8
Other	39,934	10.0	58,381	14.6	67,927	9.6	68,642	9.3	80,154	9.3	85,223	9.2
Total Non-Salary Costs	166,212	41.7	258,230	38.9	274,782	38.9	277,319	37.6	335,679	38.8	355,196	38.5
GRAND TOTAL Salary/Non-Salary	398,524	100.0	664,331	100.0	706,239	100.0	737,777	100.0	866,958	100.0	922,001	100.0

Source: Finance Sample II, op. cit.; we use only 30 theatres for our time-series analysis.

Table III-23

Rates of Increase of Individual Cost Items
Sample of 30 Larger Not-For-Profit Theatres, 1965-74

Budgets' Range $367,190-$4,020,000 (in 1976)
(Median: $970,000)

Item	Rate of Annual Increase
Total Salary Costs:	9.6%
• Total performing artistic	7.9%
• Total non-performing artistic	9.2%
• Stagehands/crew	10.1%
• Fringe Benefits	13.5%
* Administrative	10.4%
Total Non-Salary Costs:	8.2%
• Departmental	6.9%
• Facilities and related costs to their maintenance/depreciation	6.1%
• Transportation, travel, etc.	17.2%
• Royalties	9.5%
• Fund Raising Costs and Fees	5.2%
• Subscriptions and promotion non-salary costs	8.4%

Among non-salary costs, the largest category is "miscellaneous" or "other" [1] with a share of 9.2 percent of the total expenditures; their annual rate of increase is 8.5 percent. However, the fastest-increasing item of the entire cost side of the budget is transportation at 17.2 percent; yet, its share of total expenditures is only 2.6 percent.

Departmental costs (costumes, scenery, props, etc.) increased at a 6.9 percent annual rate; the cost of fund raising, 5.2 percent; rental of facilities, 6.1 percent; subscription and promotion, 8.4 percent; and royalties, 4.5 percent.

Of all costs, salary costs are clearly the largest component of the budget with a share, in 1973-74, of 61.5 percent. This is partly the result of the theatre being a labor-extensive activity and partly because union contract minimums set a floor on salaries.. [2] Of course, an organization may decide to produce less ambitious plays and musicals in order to use smaller cast and chorus, but, even for a play with two actors there is still the need for an artistic director, a sound and light technician, etc. As we noted in Table III-23, the annual rates of salary increase at 9.2 percent for non-performing artistic personnel, and at 10.1 percent, for stagehands, are higher than those of performers, at 7.9 percent.

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[1] Except for the usual incidental and minor costs that are included under miscellaneous, we include both facilities and non-facitilies depreciation and interest on loans (other than mortgages).

[2] Some of the minimum requirements are related to the number of musicians, stagehands, etc.

Although our analysis of the composition of cost has up to this point been based on the combined average expenditures of 30 theatres with a wide range of budgets, we have found that the relative share of individual cost items in total expenditures is similar for all budget sizes. To provide some perspective on current-day budgets of individual theatres, we collected financial statements for over 50 large regional theatres. We stratified our data on these theatres[1] into six groups according to their total expenditures in the fiscal year 1976-77 -- as detailed in Table III-24. Since the share of individual items in total expenditures is in approximately the same range[2] from group to group, we estimated the total average composition of budgets, as illustrated, in Figure III-22. Our discussion will be based on these estimates.

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[1] Although our actual sample consists of 59 theatres, we do not include one of them in certain estimates because it is a statistical outlier.

[2] There are few exceptions, such as, welfare and benefits, miscellaneous or "other" costs category, fund raising and administrative expenditures where some wider variation is observed. The differences may be associated with different reporting procedures, special personnel and organizational policies or with any other reasons which we would be able to detect only if we could have direct communication with individual theatres. However, their differences are not statistically meaningful.

Table III-24

Components of Average Expenditures for 58 Larger Not-For-Profit Theatres, by Size of Budget

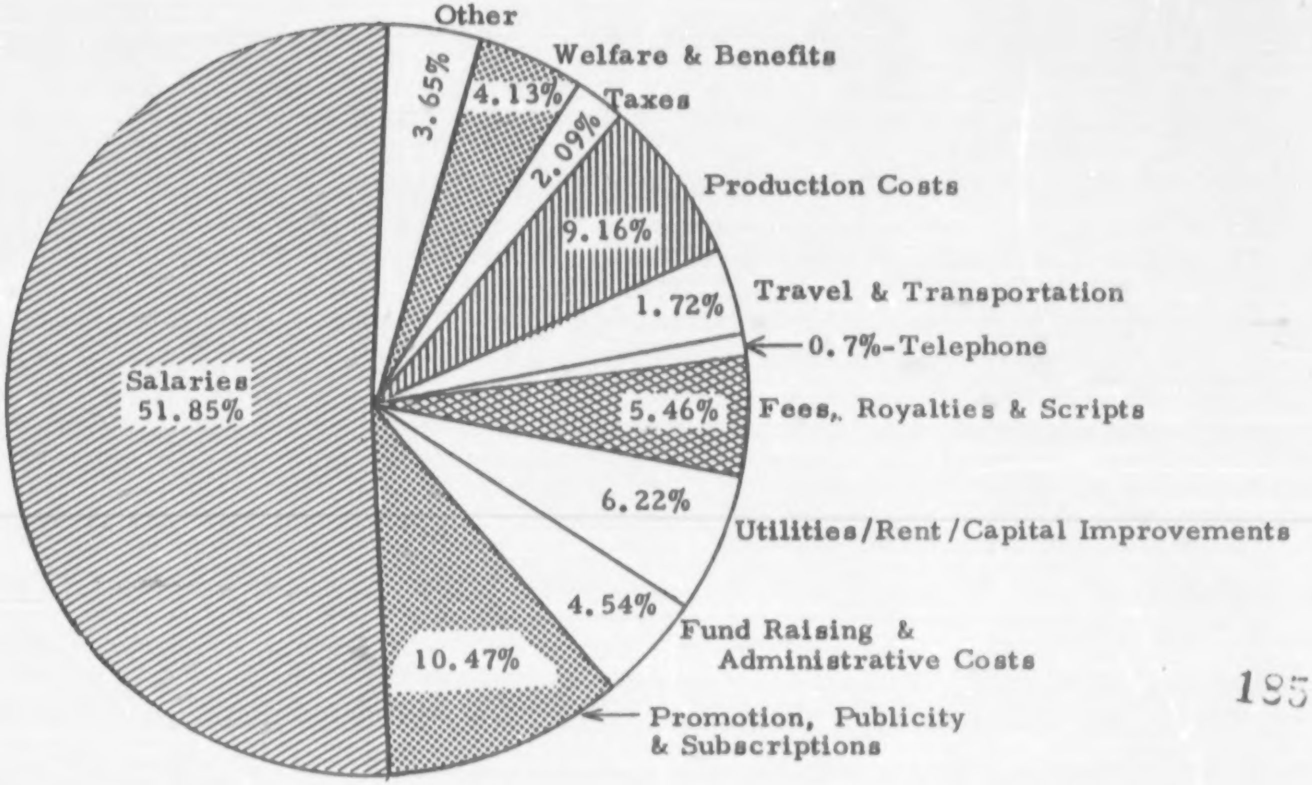
1976-77

Average Cost Item per Budget Group	10 Theatres $101,000-$300,000		10 Theatres $301,000-$500,000		6 Theatres $501,000-$700,000		14 Theatres $701,000-1,000,000		15 Theatres $1,001,000-$2,200,000		3 Theatres $2,201,000 + Over		Total Avg. of All Theatres	% To Total
	Amount	% To Total	Amount	% To Total	Amount	% To Total	Amount	% To Total	Amount	% To Total	Amount	% To Total		
Salaries	$116,011	51.5	$214,736	53.3	$314,767	53.4	$412,530	50.8	$608,830	47.4	$1,511,610	53.8	$3,178,484	51.85
Promotion/Subscription/New Plays/Education	25,685	11.4	49,364	12.2	57,813	9.8	80,111	9.9	131,709	10.3	297,346	10.6	642,028	10.47
Fund Raising/Administrative Costs	4,441	2.0	17,618	4.4	9,814	1.7	27,413	3.4	61,826	4.8	157,373	5.6	278,485	4.54
Utilities/Rent/Building Costs	14,973	6.6	22,456	5.6	30,288	5.1	49,319	6.1	91,008	7.1	173,324	6.2	381,368	6.22
Fees/Royalties	9,618	4.3	15,307	3.8	26,652	4.6	54,227	6.6	76,631	5.9	151,954	5.4	334,389	5.46
Telephone	2,122	0.9	3,974	1.0	5,570	1.0	6,553	0.8	11,962	0.9	12,804	0.2	42,985	0.70
Travel	5,674	2.5	12,282	3.0	9,192	1.6	25,880	3.2	36,100	2.8	16,397	0.6	105,525	1.72
Production Costs	27,513	12.2	23,894	5.9	74,451	12.6	76,551	9.4	108,973	8.5	249,953	8.9	561,335	9.16
Taxes	3,760	1.7	10,522	2.6	18,581	3.2	20,719	2.5	32,067	2.5	42,541	1.5	128,190	2.09
Welfare/Benefit	4,137	1.8	6,516	1.6	12,340	2.1	27,835	3.4	28,244	2.2	174,251	6.2	253,323	4.13
Other	11,387	5.1	27,539	6.8	29,938	5.1	31,756	3.9	95,352	7.4	27,728	1.0	223,700	3.65
TOTAL	$225,321	100.0	$404,208	100.0	$589,406	100.0	$812,894	100.0	$1,282,702	100.0	$2,815,281	100.0	$6,129,812	100.00

Source: Finance Sample, II, op. cit. -- We exclude from this Table one theatre of our sample because it is a statistical outlier.

Figure III-22

Average Composition of Expenditures for 58 Larger Not-For-Profit Theatres (1976-77)



Source: Table III-24.

We were not able to obtain a consistent breakdown of salaries by category and consequently in order to avoid overestimation or underestimation of individual categories we combined all salaries in a single item; they account for 51.85 percent of the budget.

Production costs in this statistical arrangement include costumes, scenery, props, lighting and sound, as well as the rental of equipment. These items account for 9.2 percent of the cost budget. Capital improvements [1/] are often reported in the operating budgets. However, this is not the type of cost that is incurred regularly by all theatres; therefore, the average share is miniscule. Yet, for the theatres in our sample that reported capital costs independently, these costs range between 0.1 percent and 19.5 percent of their individual budgets. Fees to directors, authors, composers, designers, etc. are also not uniformly reported by all theatres. For those theatres that report these figures the range is a wide one, from 0.9 percent to 19.5 percent. There is no differentiation in the range of fees between the six groups of theatres.

If we take only the theatres that report fees, the average share of fees in total operating budgets is approximately 4.15 percent. This share is reduced to approximately 2 percent if we average total fees by the total number of theatres (reporting and not) in each group. Royalties are another miniscule item of the budget, ranging between 1.4 percent for smaller-budget theatres to 2.5 percent for larger theatres. Together with fees and scripts this item accounts for 5.46 of the operating budget.

[1/] We lumped these costs with rent and utilities.

One of the largest items besides salaries is promotion and publicity with a share of 10.47 percent. Besides the regular advertising and promotion costs, we included in this item subscriptions' development costs and other related expenditures. The reporting of taxes, personnel benefits and travel was more or less straightforward. However, we were puzzled by the absence of fund-raising costs for certain theatres in spite of the fact that contributions were cited. [1]

Finally, in the "other costs" category we included miscellaneous expenses, such as office expenses, insurance, office and theatre supplies, interest expenses, reserves for depreciation, box-office service fees, concessions, bad debts, postage and freight, amortization and other non-itemized costs.

There are several differences between the shares we have calculated based upon the time-series data, which were available up to 1974, and those based upon more recent financial statements. [2] For example, our data from financial statements indicate that approximately 52 percent of the budget is allocated to salaries. In the 1973-74 period considered in Table III-22, the average allocation to salaries by the 30 theatres was approximately 56 percent of total costs (excluding fringe benefits of 6.4 percent which we are treating separately). Since we have not examined the raw data underlying Table III-22, and our sample included several additional theatres, we do not know whether the differences implied by the two sets of data represent real changes or whether they simply represent differences in reporting.

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[1] We were informed by one of these theatres that their fund-raising campaign is conducted by an affiliated institution and that they were not burdened with any of the costs. (Private communication.)

[2] The time-series data were obtained from the Ford Foundation's Survey of the Finances, etc., op. cit. Our 1976-77 data were obtained from the files of the National Endowment for the Arts, the Ford Foundation, and confidential report of the Theatre Communications Group.

b. Relationships Between Budget and Activity

To provide some perspective on relationships between a theatre's activity and its budget we have related the level of activity per group of theatres with their average budgets. In Table III-25 we assign an identification number to the number of theatres (column 1) falling into one of the six budget strata (column 2). The table details further the average size of budget in each group (column 3); range and median number of productions (column 4); number of performances (columns 5 and 6); and geographical distribution of theatres (column 7).

Although the northeast and west regions may be the areas where most of the large theatres are located, the midwest is also an area of relatively large-budget theatres. However, we were not able to establish whether there is any particular relationship between budget size and geographical location of a given theatre group.

If we assume that, on the average, the total number of performances of each group is the same as the median, then we can estimate the minimal amount of net box-office receipts or total earnings required to

Table III-25

Location, Budget Size, Number of Productions and Performances 58 Larger Not-For-Profit Theatres [1/] (1976-77)

Group Code	(1) Number of Theatres in Group	(2) Range of Budget Group	(3) Average Budget Size per Theatre In Each Group	(4) Range of Number of Productions (Median) for the Group	(5) (6) Range of Number of Performances (Median) for the Group	(7) Average Performances per Production [2/]	(8) Number of of Theatres Located at: [3/]				
							a	b	c	d	e
A	10	$101,000-300,000	225,321	4-12 (8)	72-417 (216)	27.0	4	1	2	3	
B	10	$301,000-500,000	404,208	3-16 (6)	109-724 (211.5)	35.3	3	3	2	1	1
C	6	$501,000-700,000	589,406	6-9 (7)	161-372 (242)	34.5	4	1		1	
D	14	$701,000-1,000,000	812,894	3-37 (8)	115-428 (261.5)	32.7	7		2	5	
E	15	$1,001,000-2,200,000	1,282,702	3-16 (8)	24-405 (246)	30.8	9	2	1	3	
F	3	$2,201,000-4,000,000	3,073,578	5-17 (9)	241-390 (389)	43.2	1	2			

[1/] We do not include one theatre being a statistical outlier.

[2/] This figure was derived by dividing the total number of performances per season by the total number of productions per season as reported by the individual theatres in each group.

[3/] a: Northeast; b: West; c: South; d: Midwest; e: Southwest.

cover the average operating and production costs per performance for each theatre group. Table III-26 shows the results of our estimates by theatre group.

Table III-26

Earnings Per Performance Required to Meet Total Operating Expenditures for the 58 Larger Not-For-Profit Theatres

1976-77

Theatre Group	Average Earnings/Performance (Dollars)*
A	1,043
B	1,911
C	2,436
D	3,109
E	5,214
F	7,901

* Column 2 is derived by dividing Column 3 by the median of Column 5 from Table III-26.

Finally, Table III-27 (columns 4 and 5) shows the average cost per seat for the 1976-77 season and per performance.

Table III-27

Average Cost Per Seat and Per Performance
58 Larger Not-For-Profit Theatres (1976-77)

(1) Theatre Group	(2) Average Capacity (Seats)	(3) Average Budget ($)	(4) Avg. Cost per Seat for the Season ($)	(5) Avg. Cost per Seat per Performance ($)	(6) Avg. Ticket Price ($) (Range) **
A	333	225,321	677.64	3.13	5.38 (3.00-7.95)
B	483	404,208	836.87	3.96	6.15 (3.00-9.00)
C	398	589,406	1,480.91	6.11	6.26 (3.75-8.50)
D	607	812,894	1,339.20	5.12	5.88 (2.25-9.00)
E	1,344	1,282,702	954.39	3.88	6.23 (2.50-9.45)
F*	948	3,073,578	3,242.00	8.33	8.23 (5.00-11.00)

* The range of capacity of the 3 theatres included in group F is between 650 and 1,354. The average cost per seat ranges between $7.80 and $12.30. The average revenue per seat per performance ranges between $7.00 and $9.45. Only one of the theatres prices in a way that average costs per seat are covered.

** The range reflects the lower and higher priced ticket of the group.

191

Column 6 lists the approximate average prices per seat for the same theatre groups. Prices are below $4.00 a seat in theatre groups A, B, and E.

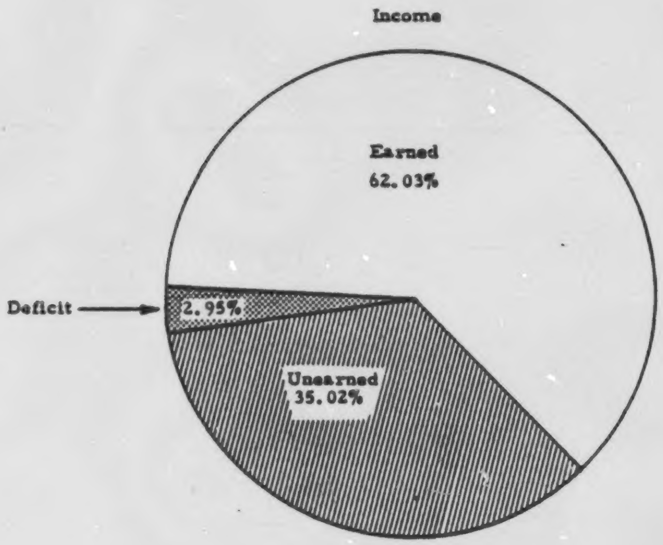
All the groups except group F seem to price, on the average, in a way that their variable and quasi-fixed costs could be covered. Whether this allows, in fact, expenditures to be covered depends on the extent to which seating capacity is utilized; also on the percent of tickets sold in the quoted price-ranges as against those sold on discount or even given away, etc.

2. Income

The total income of the not-for-profit theatres is comprised of the earnings of the theatre and contributions from the public and private sector. Total income does not always balance with total expenditures.

Figure III-23 illustrates that for all the 59 theatres of our sample during the fiscal year 1976-77, 62.03 percent of their total expenditures was covered by earned income, 35.02 percent by contributions and that a deficit remained of 2.95 percent. In the following sections the sources of earned and unearned income will be discussed separately.

Figure III-23
59 Larger Not-For-Profit Theatres all Over the Country
Earned and Unearned Income as a Percent to Total Expenditures



a. Earned Income

Theatres earn income in a variety of ways although the bulk of their earnings are from the box office.

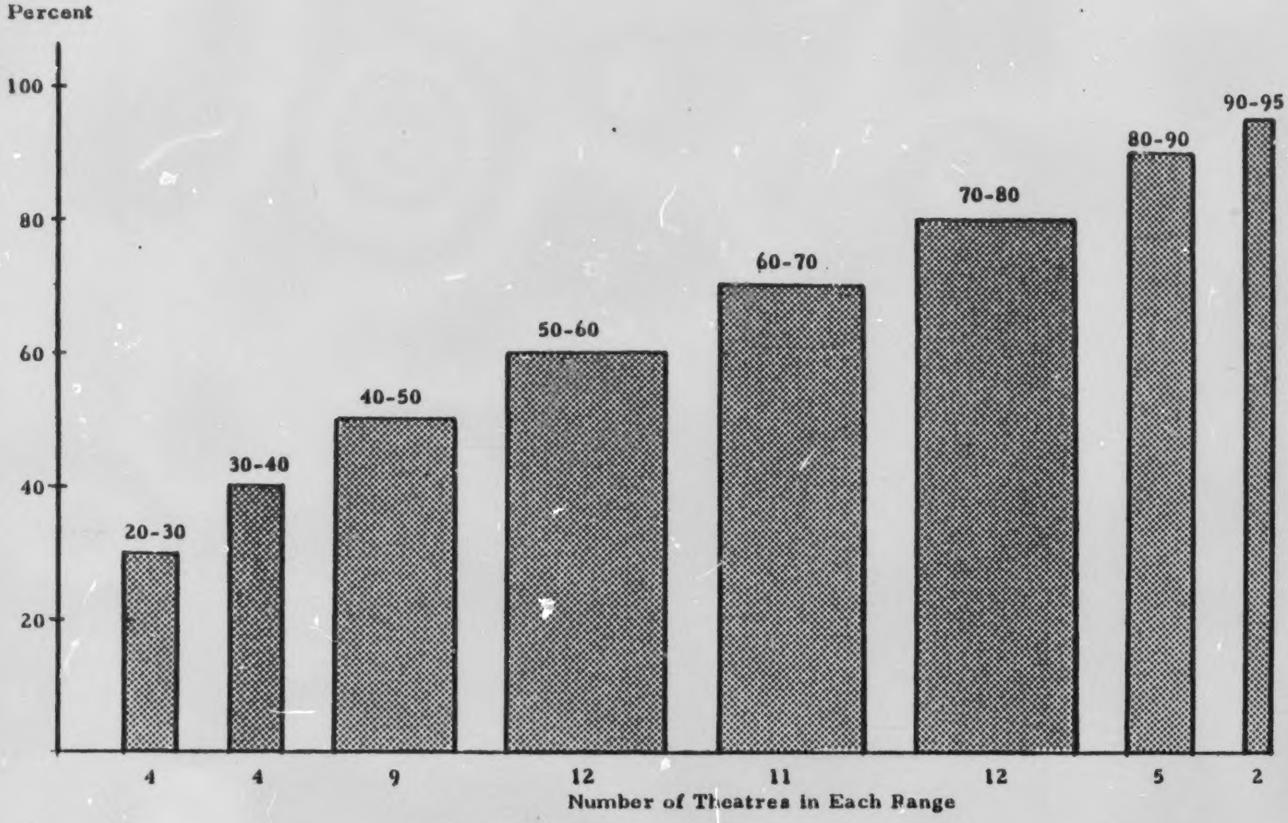
Figure III-24 depicts the earned income of the 59 theatres of our sample during the 1976-77 period. They were assembled into eight groups according to the percent range of their earnings to their total income. The width of the bars denotes the number of theatres in each group and the numbers on the top of the bars indicate the percent range of earned income to total income of each group. The variation in

193

Figure III-24

Earned Income as a Percent to Total Income

59 Larger Not-For-Profit Theatres, 1976-77



percents of earned income to expenditures are substantial. They range from 20 to 95 percent. On the average, the larger not-for-profit theatres earn 70 percent of their income. The sources of earned income are several, related to both performance and non-performance activities.

Table III-28 details time series data for selected years between 1965 and 1974 for the main sources of earned income. Table III-29 shows the rates of annual increase of individual sources.

Income derived from the selling of subscription tickets contributes the greatest part of the total earned income (39.0 percent) and it is growing at an annual rate of 10.7 percent. In the 1965-66 period it accounted only for 29.9 percent of all earnings and single ticket sales for 42.8 percent. Relative positions have been reversed since that time. In the 1973-74 period the selling of single and block tickets for individual performances accounts for 29.6 percent of total income. However, this source of income has been increasing at a much lower rate (3.4 percent) than subscription 1/ income and consequently the gap between the two may increase.

Income from services is growing as fast as subscription income (at 10.7 percent). This is a relatively new form of earned income based on contracts between the not-for-profit theatres and governmental authorities or private entities to give a single or a series of performances free of charge or with admission charges often under the auspices of the sponsoring organization. An example of such an arrangement is public summer performances in parks.

1/ Although subscription tickets are sold at a discount, they provide a source of income that doesn't fluctuate within the season and is available early to cover production costs.

Table III-28

Breakdown of Earned Income of 30 Larger Not-For-Profit Theatres; Selected Years

Type of Income	1965-66	%	1967-68	%	1970-71	%	1971-72	%	1972-73	%	1973-74	%
Performance Income:												
Subscription ticket income	28,992	29.9	150,384	34.2	168,654	35.9	180,220	37.5	229,781	40.7	226,912	39.0
Single/block ticket income	127,238	42.8	146,212	33.2	172,472	36.7	145,239	30.3	169,540	30.0	172,341	29.6
Other ticket income	45,698	15.4	52,058	11.8	76,089	16.2	66,749	13.9	73,197	13.0	77,568	13.3
Total service income	11,824	4.0	51,624	11.7	17,376	3.7	42,281	8.8	38,839	6.9	43,949	7.5
Recordings/films/radio/TV income	158	*	252	*	118	*	1,097	0.2	639	0.1	1,122	0.2
Total Performance Income	273,910	92.1	400,530	91.1	434,710	92.4	435,587	90.7	511,995	90.6	521,892	89.6
Non-Performance Income	23,456	7.9	39,270	8.9	35,646	7.6	44,745	9.3	53,132	9.4	60,616	10.4
GRAND TOTAL Earned Income	297,366	100.0	439,800	100.0	470,356	100.0	480,332	100.0	565,127	100.0	582,508	100.0

* Less than 1%

Table III-29

Rates of Annual Increases in Individual Sources of Earned Income: 1965-1974

Source	Rate (%)
Subscription Income	10.7
Single/Block Ticket Income	3.4
Other Ticket Income	6.7
Income From Services (Govt. /Non-Govt.)	10.7
Income From Recording/Movies/TV, etc.	23.3
Non-Performance Income	9.9

The fastest-increasing sources of income are those associated with performances in television, movies, etc., still with a very small contribution to total earnings, but having the potential of becoming a growing source -- especially if business decides that it is equally valid to subsidize American theatres performances, as it is to subsidize other forms of art.

In the "other ticket income" category from performances, we included income from selling tickets to student groups and student organizations. Also we included income from performances of other performing groups. [1/] The combined rate of increase of these two sources has been 6.7 percent annually, and they have been the third most important source of earnings.

Finally, in the "other non-performance" income category of Table III-28, we included income from visiting individuals or groups that use the theatre facilities and pay a rental fee, receipts from the sale of sets, miscellaneous interest and dividends, concessions, program advertising, tour performances fees, coat-check income, etc. The combined rate of increase of non-performance sources of income has been 9.9 percent and contributes 10.4 percent to total earnings. What Tables III-28 and III-29 suggest is that auxiliary income has been growing faster than box-office sales of tickets and that its contribution to total earnings has been increasing. Our cross-sectional data for 1976-77 provide us with similar observations as the above.

[1/] Proceeds from such performances are usually split between the organization and the visiting group.

b. Income from Contributions

As we mentioned earlier, income from contributions for the 59 larger theatres amounted to approximately $21.5 million in fiscal year 1976-77. Between the years 1965 and 1977 total contributions have been increasing at an annual rate of 13.4 percent. Figure III-24 of the previous section provides us with information on the distribution of unearned income as a percent of total income. That is, the difference between each range and 100 percent is the income. Thus, unearned income accounts for 5 to 80 percent of total income. The main sources of contributions are the private sector, (business, individual contributions, others), government (Federal, state, local), and national private foundations (Ford, Rockefeller, etc.).

Table III-30 reports contributions by source in dollars and their percent share to the total unearned income for the 30 theatres. [1] Figures III-25, III-26 and III-27 detail the percent contribution from each source. We calculated the rates of annual increases of the total contributions of the private sector, the public sector and the national foundations and we found that their respective rates have been 13.8, 24.6 and 12.8 percent for the period between 1965 and 1974. However, when we included in our calculations data on the 1976-77 period we obtained annual rates of increase of 12.6, 22.7 and 4.7 percent. The differential in the growth rates of the private and public sector has not yet closed the gap in dollar terms between private and public contributions. In

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[1] Finance Sample II, Ford Foundation, op. cit.

Table III-30

Contributions to 30 Larger Not-For-Profit Theatres From Private and Public Sectors, Selected Years

Contributions/Grants	1965-66 1/		1967-68 1/		1970-71 1/		1971-72 1/		1972-73 1/		1973-74 1/		1976-77 2/	
	$ (1,000's)	Percent	$ (1,000's)	Percent	$ (1,000's)	Percent	$ (1,000's)	Percent	$ (1,000's)	Percent	$ (1,000's)	Percent	$ (1,000's)	Percent
Private Sector:														
Business/corporations	30 290	1.6	226,932	8.7	408,540	10.6	551,288	12.3	551,751	9.1	654,535	12.9	894,430	12.0
United Arts Fund	7,000	.4	330,160	12.7	653,576	17.0	715,021	16.0	1,088,486	17.9	941,630	18.6	1,186,729	16.0
Private local contributions	643,636	34.1	528,288	20.3	930,775	24.2	575,187	12.9	816,470	13.4	730,109	14.4	1,307,681	17.6
Individual contributions	1,005,168	53.2	1,194,904	45.9	1,563,007	40.6	2,194,130	49.1	2,943,806	48.5	2,126,070	42.0	2,934,517	39.4
Other local	201,607	10.7	325,793	12.5	290,143	7.6	429,503	9.6	673,756	11.1	631,359	12.1	1,111,775	15.0
Total Private Sector	1,887,701	100.0	2,606,077	100.0	3,846,045	100.0	4,465,129	100.0	6,074,239	100.0	5,065,717	100.0	7,435,140	100.0
% to Grand Total	-	69.1	-	48.8	-	56.1	-	57.3	-	62.4	-	49.9	-	57.8
Public Sector:														
Federal Government 3/	196,768	74.3	941,791	85.1	858,223	59.6	934,127	61.4	1,342,140	65.8	1,763,704	64.0	2,578,075	57.7
State Government	65,608	24.8	39,302	3.6	513,685	35.7	424,364	27.9	485,250	23.8	682,410	24.8	1,409,536	31.6
City/County Government	2,500	.9	126,000	11.4	68,175	4.7	162,901	10.7	212,448	10.4	308,450	11.2	478,620	10.7
Total Public Sector	264,876	100.0	1,107,093	100.0	1,440,083	100.0	1,521,392	100.0	2,039,838	100.0	2,754,564	100.0	4,466,231	100.0
% to Grand Total	-	9.7	-	20.8	-	21.0	-	19.5	-	20.9	-	27.1	-	34.7
National Foundations 4/	578,130	21.2	1,599,753	30.0	1,567,287	22.9	1,808,668	23.2	1,602,178	16.4	2,260,369	22.3	965,033	7.5
Corpus Earnings	1,782	*	22,550	.4	3,405	*	3,518	*	25,882	.3	74,133	.7	N.A.	N.A.
GRAND TOTAL	2,732,489	100.0	5,335,473	100.0	6,856,740	100.0	7,798,707	100.0	9,742,137	100.0	10,154,799	100.0	12,866,404	100.0

NOTES:

1/ Figures obtained from Ford Foundations' computer printout on 30 not-for-profit theatres.

2/ Finance Sample of the same 30 theatres obtained from the National Endowment for the Arts' supplementary information sheet of grant-applications.

3/ National Endowment for the Arts' grants.

4/ Includes the largest foundations, e.g., Ford, Rockefeller, Mellon, etc.

* Minimal

N.A.: Not available

the 1973-74 fiscal year the entire private sector (including national foundations) contributed 72.2 percent of total grants, that is, approximately $7.3 million while the government contributions amounted to approximately $2.8 million. In the 1976-77 fiscal year the private sector has kept its lead with 65.3 percent of total contributions but the public sector has increased its share of contributions up to 34.7 percent. Although national foundations seem to have increased their contributions by 44.2 percent between 1970 and 1974, 24 percent of this increase since 1971 is the Ford Foundation's cash reserve fund[1] which is incorporated under "National Foundations." During the Fiscal Year 1976-77, the reported contributions of Foundations have declined by approximately 43 percent since 1973, as depicted in Figure III-25. Considering the rate of inflation since 1973, certainly National Foundations have not kept up with their previous commitment to the theatre, and the rate of annual percent increase of their grants is slower than the rest of the private sector.

Reportedly, their contributions to the theatre during the 1977-78 fiscal period have been reduced even further.[2] The reasons for the diminishing support of Foundations are to be found in their shrinking portfolios since the early 1970's and probably in changes of their priorities.

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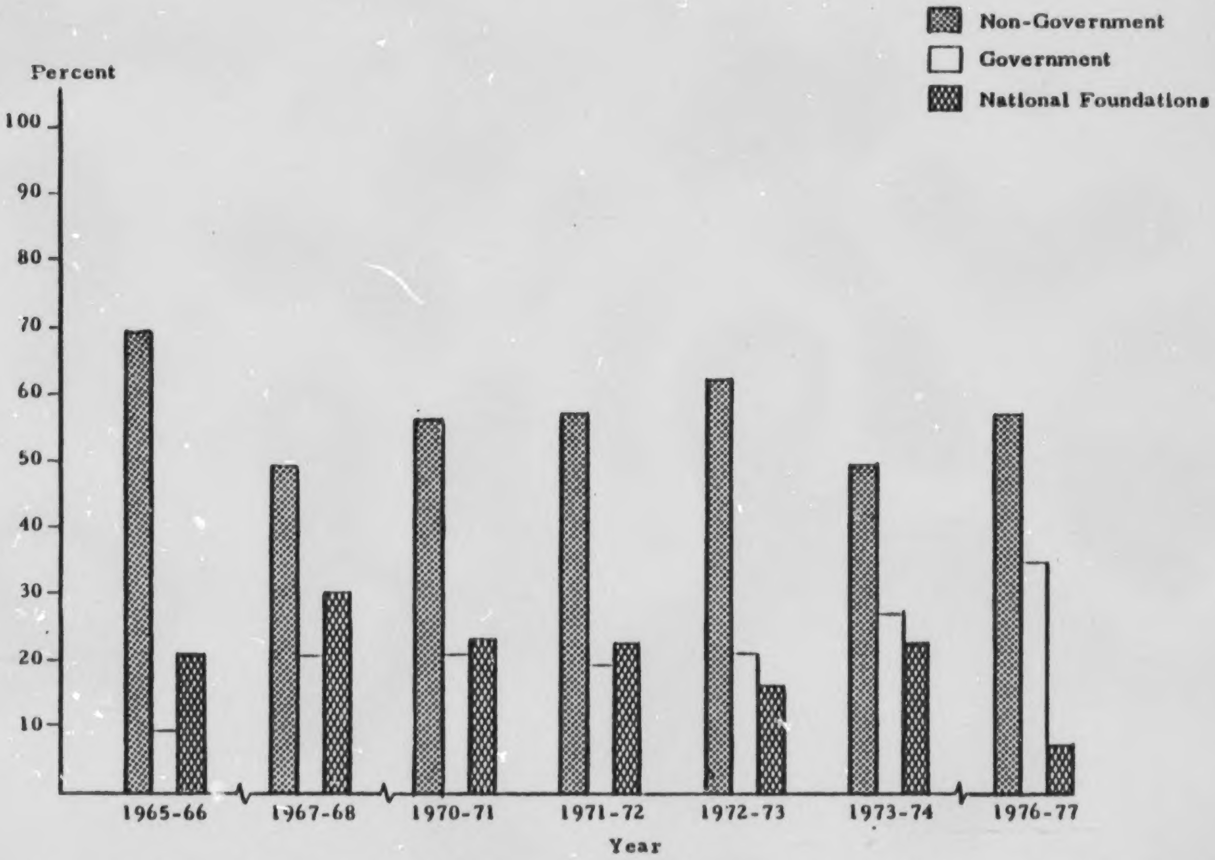
[1] For this program, money is provided for the liquidation of 50 percent of a theatre's net incurred liabilties after the other 50 percent has been liquidated within a specified period of time. Each fiscal year of the grant period (usually 5 years) must be completed in a net current asset position. The money is given on an installment basis for a revolving cash fund from which operating expenses may be paid until the earned income comes in. In order to receive funds for the next fiscal year, the theatre must replace all withdrawn funds. If these terms are met, the revolving fund may be kept by the theatre as an unrestricted capital reserve.

[2] See Robert Brustein, "Can the Theatre Survive," New York Times Magazine, July, 1977.

Figure III-25

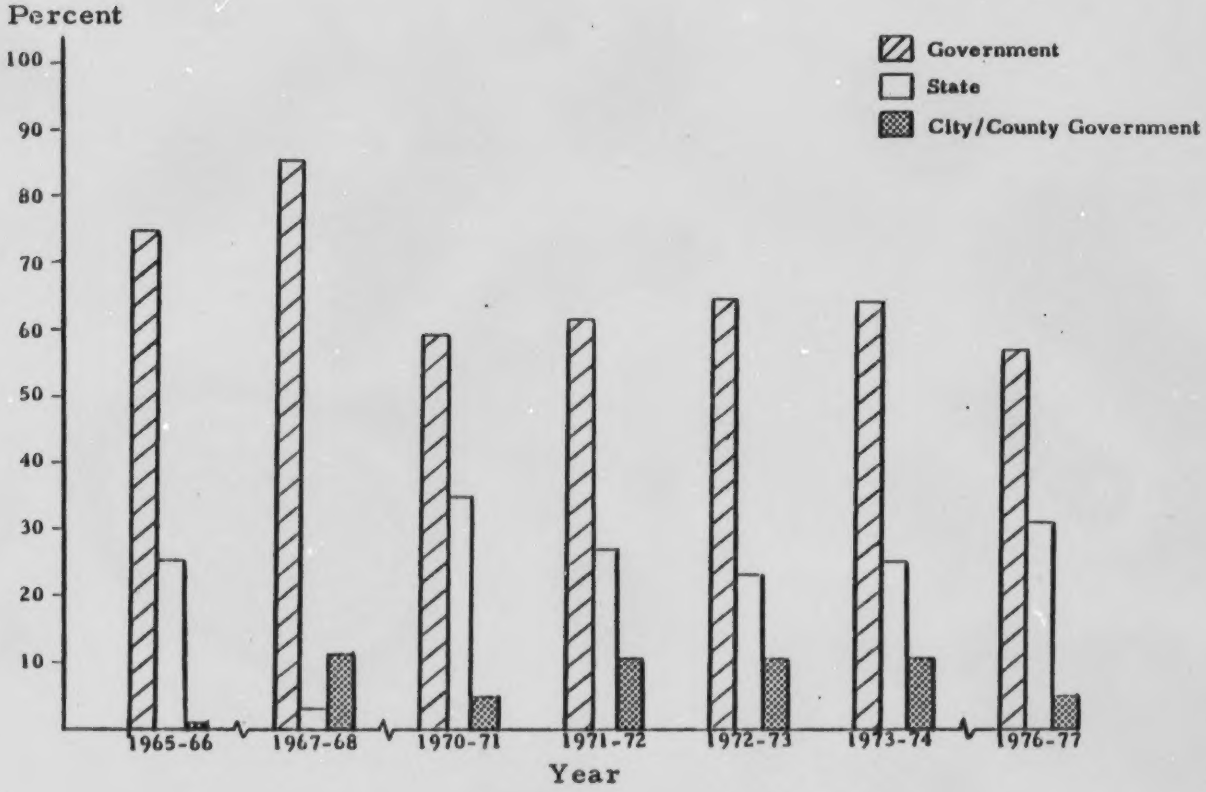
Government, Non-Government and National Foundations' Contributions as a Percent of Total Grants* - Selected Years (Thirty Larger Not-For-Profit Theatres)



* The difference between 100 percent and total of all sector contributions is "corpus earnings" which are not included in the figure.

Figure III-26

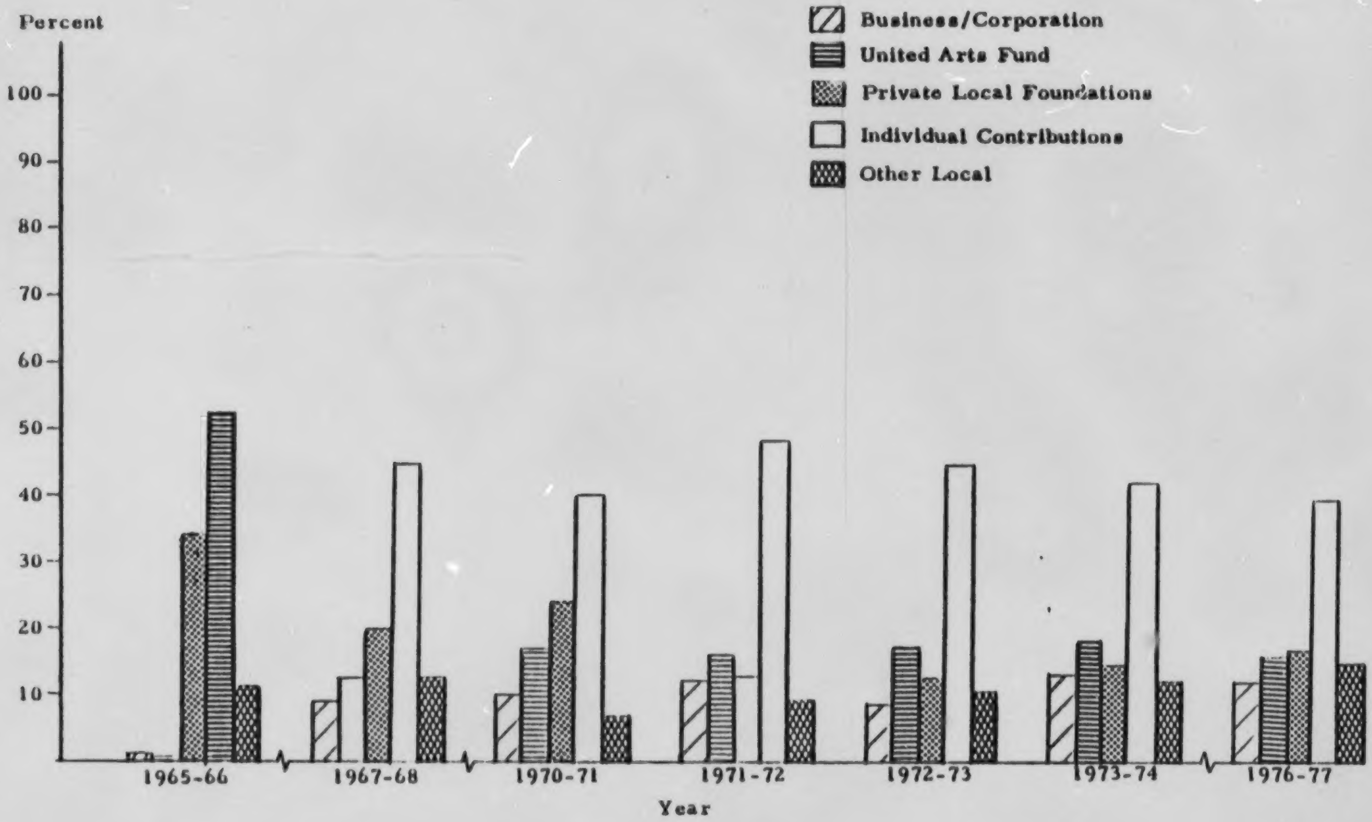
Federal, State and City Contributions as a Percent of Total Government Contributions - Selected Years (Thirty Larger Not-For-Profit Theatres)



Source: Ford Foundation, National Endowment for the Arts, Theatre Communications Group.

Figure III-27

Individual and Business Contributions as a Percent of Total Non-Government Contributions - Selected Years (Thirty Larger Not-For-Profit Theatres)



On the other hand, the government sector gradually increased its share of total contributions (Figures III-25 and III-26) -- accounting for 34.7 percent of total contributions in the 1976-77 fiscal year.

3. Conclusions

The data examined in this section lead to certain conclusions. First, during the 1970's, earned income accounted for a nearly constant share of total operating expenditures, as is shown by Figure III-28 below. This means that in spite of the pressures of the "cost disease" and factors tending to restrain revenue growth, an important segment of the not-for-profit theatre has managed to keep the rate of growth of earned income commensurate with the rate of growth of total operating expenditures. This is quite remarkable in view of the rapid rate of growth of operating budgets.

Moreover, Figure III-28 also shows that income from tickets has kept pace with the increase in operating expenditures. In part, this was achieved by raising ticket prices; in part it was achieved by selling a greater and greater percentage of capacity, and by extending the season.

Furthermore, it follows from the data examined that the larger not-for-profit theatre has become increasingly dependent upon government for its unearned income, as shown in Figure III-29. As this figure shows, government contributions have risen from under 3 percent of total operating expenditures to over 10 percent.

Figure III-28

Earned Income and Ticket Income as a Percent of Total Operating Expenditures
30 Larger Not-For-Profit Theatres

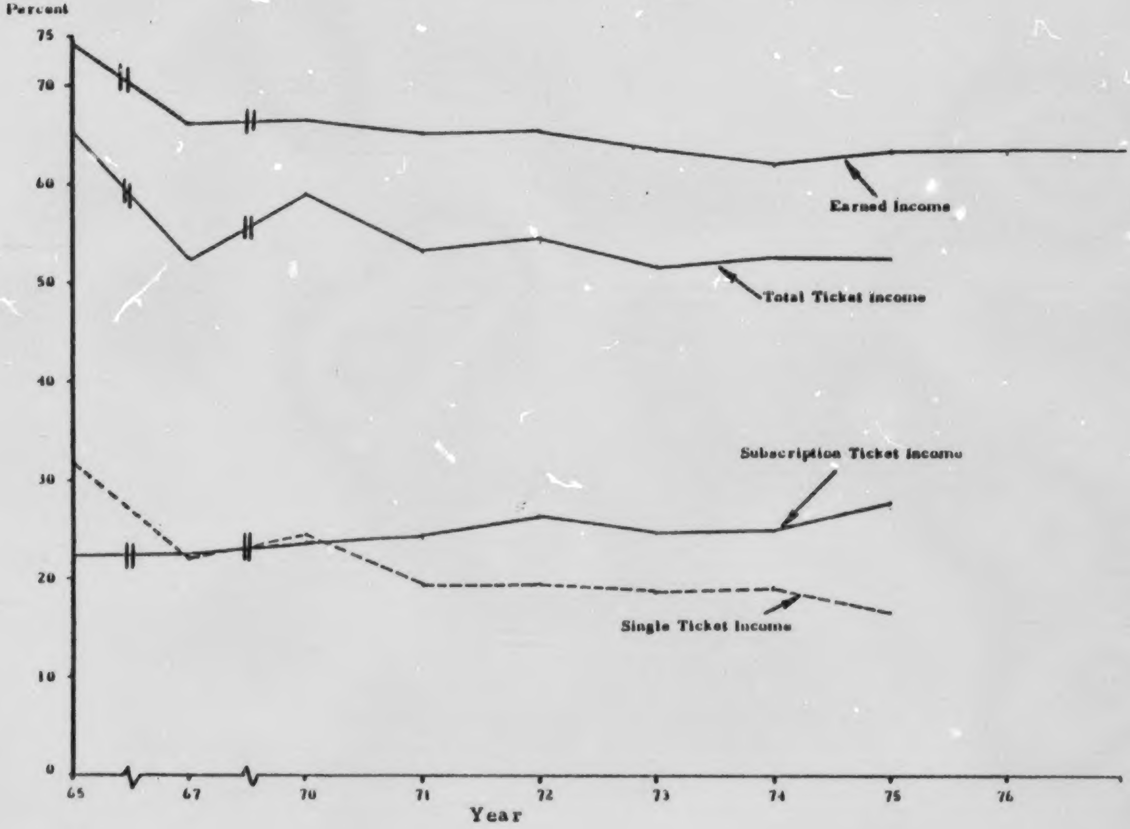
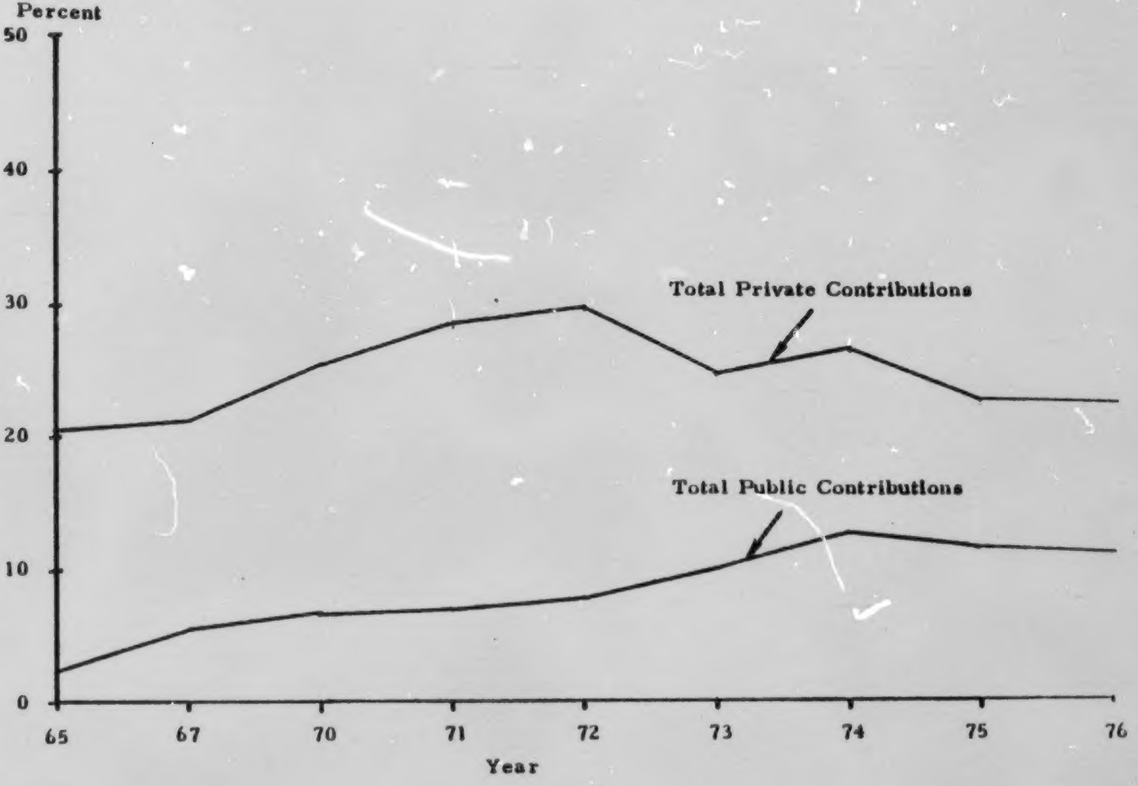


Figure III-29

Public and Private Contributions as a Percent of Total Operating Expenditures

30 Larger Not-For-Profit Theatres



Finally, the operating budgets of one of our samples of theatres increased in the last 12 years at an average annual rate higher than that of the wholesale price index over the same period (9.1 percent vs. 5.9 percent). This indicates a real expansion in the activities of these theatres.

D. Smaller Not-For-Profit/Developmental Theatres

1. Introduction

In this section we examine the finances of smaller not-for-profit theatres, which are also known as "developmental." This latter descriptive term reflects mainly the type of work that most of these theatres are doing in producing new plays, in experimenting with new ideas and approaches, and in offering an exciting ground for artists -- be they performers, writers, directors, etc. In the last few years there has been an explosion in the level of activity of this kind of theatre all around the nation. In Chapter II, we indicated that approximately 620 developmental not-for-profit theatres are operating at this time. Of these theatres we were able to obtain a sample of 140. [1/] Although the majority of them had budgets in the vicinity of $100,000 during the 1976-77 fiscal year, there are several with budgets between $200,000 and $300,000, and a handful with budgets above $300,000. The highest budget in our sample of developmental theatres is $750,000; we consider this theatre a statistical outlier. On the other hand, there are a handful of theatres with budgets of less than $10,000, and one with as little as $3,000. These theatres are treated separately.

There are some uniform themes expressed by the directors of developmental theatres: "support and development of new playwriting talent," "audience development," "promotion of theatrical talent in general," etc. However, there is great diversity in their approach to old and new works and in the messages conveyed: "re-interpretation of classics,"

1/ Hereinafter cited as "Finance Sample III." The sample was obtained from the files of the Ford Foundation, the National Endowment for the Arts and the New York State Council on the Arts.

"ethnic or racial groups' consciousness raising," "civil liberties advocacy," "criticism of economic and social norms," etc. Whatever the message, there is a thrust for the new, the unconventional, the experimental. In other words, the developmental theatres, by and large, constitute the research laboratory for the more established theatre and every now and then their ideas, talent and plays find their way to more established for-profit and not-for-profit theatres.

Because of the informality and the opportunity for new ideas that many of these theatres offer, several well known artists seek them out for short periods of time. If the developmental theatre is under a showcase code, [1/] such artists as well as newcomers in the profession may perform without receiving any remuneration. From our sample of 140 theatres we obtained complete budget information on 113 theatres. [2/] We found, as Table III-31 shows, that in the aggregate their operating expenditures for 1976-77 were $11,501,586; their earned income amounted to $5,264,313; and contributions amounted to $5,934,258. Their total deficit [3/] was $303,015, or 2.6 percent of total expenditures. Forty-four theatres (approximately 39 percent of the sample) had deficits in amounts ranging from $8 to $104,500. Forty-two theatres had deficits of less than $25,000; one had a deficit of $49,000, and another, of $104.000. As a percent of the total budget of individual theatres, the deficits ranged

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[1/] A showcase arrangement with Actors' Equity allows these theatres to have the maximum of 12 perfornances without being obliged to pay minimum salary requirements. These arrangements are imposed and not negotiated. There are certain variations of this code which may allow more performances under special conditions.

[2/] Fifty of these theatres are from the N.Y.C. area.

[3/] A deficit occurs when total expenditures exceed total revenues for a given fiscal year.

from 0.3 percent to 54 percent. The median percent deficit is 6.7.

Of the remaining theatres, 44 had balanced budgets and 25 theatres (or 22 percent of the sample) had surpluses. [1] The surpluses ranged from 0.2 percent to 81.5 percent of total expenditures, and totaled $150,826, or 1.3 percent of total operating expenditures. The surpluses ranged from $200 to $25,346.

Table III-31

Total Budgets of 113 Developmental Theatres: 1976-77

	Earned Income	Unearned Income	Total Income	Total Expenditures	Surplus (Deficit)
Amount $	5,264,313	5,934,258	11,198,571	11,501,586	(303,015)
Percent of Total Expenditures	45.8	51.6	97.4	100.0	(2.6)

Source: Finance Sample III, op. cit.

2. Budgets

Although total income is derived, on the average, almost equally from earnings and contributions, there is greater reliance on contributions by the smaller theatres than there is by the larger not-for-profit theatres.

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[1] A surplus occurs when total expenditures are less than total revenues for a given fiscal year.

211

The general conditions that influence the budgets of developmental theatres are more or less the same as those influencing the budgets of the larger not-for-profit theatres. There are, however, several conditions peculiar to the nature of the developmental theatres, which in some cases may affect their income and/or expenditures. We shall discuss some of these special conditions below.

A major distinctive feature of the operation of developmental theatre is the showcase code. As we described it earlier, this code under which several developmental theatres operate allows a theatre to employ an Equity member for a maximum of 12 performances without or below the minimum pay. The benefit of this scheme is that smaller theatres with minute budgets have the opportunity to keep costs down. However, if a show happens to be very successful under this scheme, the theatre foregoes the opportunity to capitalize on its success. Moreover, limited performances for a given show may result in either boosting costs other than performers' salaries and/or having very short seasons.

Another important feature of the developmental theatre is that there frequently is at least one playwright in residence. A theatre with resident playwrights contributes greatly to the development of talent. "Playwrights are just people who need other people to do their work. This makes playwrights unique among writers." [1] Several of the developmental theatres that we surveyed are offering this opportunity to playwrights. However, this involves additional costs for these theatres. The expected and/or derived benefits are often shared not only by not-for-profit and for-profit theatres, but also by the movie and TV industries.

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[1] The New York Times, 11/20/77, p. 1, Col. 1.

A third distinctive feature of the developmental theatre is that several of the developmental theatres have a policy of very low priced tickets, wide discounts, and often free admissions. Although these policies encourage the populism of the theatre, they do very little for generating earned income. As a result, these theatres rely more heavily on contributions.

Moreover, developmental theatres often cater to the taste and needs of a specific segment of the population, such as industrial workers, women, certain ethnic groups, etc. The implications of such policies are that although specific audience development may be easier to accomplish, the lack of diversity inhibits the ultimate size of the audience, and thus box office income prospects are reduced.

A fourth factor that may affect the finances of smaller theatres, as discussed earlier, is the experimental, socially challenging and avant garde material that several of these theatres present. This may be the cause of attracting fewer funding sources than do the larger, not-for-profit theatres, especially from the private sector. As we shall see in a later section, the main sources of funding for developmental theatres are governmental.

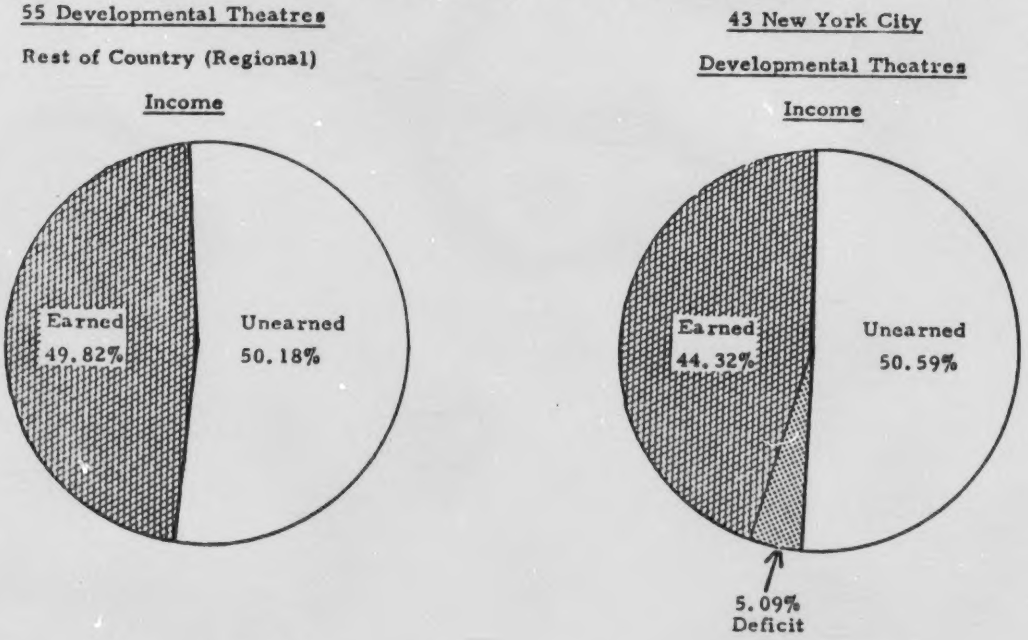
Finally, the birth of several of these theatres is often the result of an artistic impulse. It is only natural that funds are scarce and voluntary services are their main resource. As artistic credentials are established, earnings, contributions and costs increase. The more scarce the funds at the start, the more accelerated their rates of uneven increase. This causes further wariness on the part of prospective institutional contributors. When the developmental theatres reach budget levels in the vicinity of $100,000, the erratic movements of their budget seem to subside.

Using the financial reports of 98 theatres from our sample, we estimated their earned and unearned income and deficit (Figure III-30).

Figure III-30

Cross Sectional Data for 1976-77

Earned and Unearned Income as a Percent to Total Expenditures



Source: Finance Sample III, op. cit.

We segregated them by their geographical location into the New York City group (43 theatres) and Regional group (55 theatres). The Regional group had no deficit, on the average, and a greater percent of earned income to total expenditures (49.8 percent against 44.32 percent). Their unearned income was about the same, but the New York City theatres had a deficit of 5.09 percent. This relatively heavy reliance by both groups on contributions is mainly the result of the developmental nature of their work, which usually results in relatively low box-office earnings.

Table III-32 shows the total operating budgets of 14 theatres for the 1972-1977 period. Table III-33 shows the operating budget of 16 theatres for the 1972-73 and 1976-77 periods. Although consistent data are available only for these limited number of years and for a relatively limited sample, we ventured to estimate rates of increase in earned and unearned income, as well as in total expenditures. [1] As Table III-34, Column 2, illustrates, while earned income has increased by approximately 13.2 percent, contributions have increased by approximately 10.6 percent. Total expenditures have increased at a rate similar to that of earned income, 13.2 percent, and total income at a rate of 11.5 percent annually. Column 3 indicates the rates of increase for 16 developmental theatres. For this group, comparable data were available only for the fiscal years 1972-73 and 1976-77.

There are two qualifications we should make regarding these rates. As we mentioned before, our data extend over few years and the theatres we have grouped together are not very homogeneous. Although the budget ranges are not wider than the budget ranges that we allowed in our analysis of larger theatres, we found substantial differences in estimating the growth rates of certain subgroups. We decided, therefore, to disaggregate these groups into smaller budget ranges and to re-estimate rates of annual increase.

1/ The sample represents 5 percent of the total population of all smaller theatres reported in Chapter II; it also represents 21 percent of all developmental theatres funded by the NEA, the Ford Foundation and NYSCA.

Table III-32

Revenues and Expenditures of 14 Developmental Theatres 1972-1977

Year	Average Operating Income						Avg. Total Operating Expenditures	Surplus (+) or Deficit (-)	% of Earned Income to Total Operating Expenditures	% of Unearned Income to Total Operating Expenditures
	Avg. Earned Income		Avg. Unearned Income		Avg. Total Income					
	Amount	% Total Income	Amount	% Total Income	Amount	% Total Income				
72/73	45,927	53.1	40,555	46.9	86,482	100.0	80,173	+6,308	57.3	50.6
73/74	23,699	35.3	43,474	64.7	67,173	100.0	80,592	-13,419	29.4	53.9
74/75	40,925	40.8	59,297	59.2	100,222	100.0	105,209	-4,987	38.9	56.4
76/77	62,259	50.9	60,007	49.1	122,266	100.0	129,943	-7,677	47.9	46.2
MID-RANGE OF:										
	Earned Income		Unearned Income				Ttl. Expenditures			
72/73	72,908		67,610				86,394			
73/74	32,331		56,250				85,240			
74/75	71,410		129,000				160,785			
76/77	71,375		91,902				205,300			

Source: Finance Sample III, op. cit.

Table III-33

Revenues and Expenditures of 16 Developmental Theatres 1972-1977

Year	Average Operating Income						Avg. Total Operating Expenditures	Surplus (+) or Deficit (-)	% of Earned Income to Total Operating Expenditures	% of Unearned Income to Total Operating Expenditures
	Avg. Earned Income		Avg. Unearned Income		Avg. Total Income					
	Amount	% Total Income	Amount	% Total Income	Amount	% Total Income				
72/73	15,063	38.7	23,829	61.3	38,892	100.0	33,556	+5,336	44.9	71.0
76/77	23,692	34.6	44,715	65.4	68,407	100.0	70,113	-1,706	33.8	63.8

MID-RANGE OF:

Year	Earned Income	Unearned Income	Ttl. Expenditures
72/73	43,775	55,944	60,739
76/77	24,500	90,750	111,150

Source: Finance Sample III, op. cit.

Table III-34
Rates of Annual Increase of Income and Operating Expenditures For Developmental Theatres *

1	2	3
	Rates of Annual Increase	
Budget Item	14 Theatres (1972-77)	(1972-73) 16 Theatres (1976-77)
Earned Income	13.2	11.3
Unearned Income	10.6	15.7
Total Income	11.5	14.1
Operating Expenditures	13.2	18.4

* Rates estimated from Tables III-32 and III-33.

Thus, the group of 14 theatres was divided into two groups: a subgroup of five theatres with reported budgets in 1972-73 of between $5,435 and $39,190, and a subgroup of nine theatres with budgets ranging between $65,564 and $167,352. The rates of annual increase for the first subgroup are 27.5 percent for expenditures, 23.1 percent for earned income, and 25.1 percent for unearned income. The estimated rates for the second subgroup in the same order are: 10.4, 11.1, and 8.1 percent. Clearly, there are substantial differences between the two subgroups which one may attribute to the smallness of the original budgets of the first subgroup.

Following the same reasoning, we divided the group of 16 developmental theatres into four smaller subgroups according to narrower budget ranges. We left one theatre out because it had zero earned income. We assembled three theatres with budgets ranging between $1,600 and $4,639 in 1972 and estimated their rate of increase between 1972-73 and 1976-77.

Earned income increased at an annual rate of 47 percent, operating expenditures at a rate of 64 percent, and unearned income at a rate of 56 percent. While in 1972 they had a combined surplus of $6,211 (ranging from $450 to $4,261), in 1976 one theatre had a balanced budget and the other two had income gaps ranging between 3.5 percent and 11 percent of their total expenditures.

The second subgroup that we assembled includes six theatres with budgets ranging between $12,773 and $22,000 in 1972. The individual annual rates of increase between 1972-73 and 1976-77 are as follows: earned income, 19 percent; unearned income, 24 percent; and expenditures, 27 percent. All the theatres in this subgroup have had increases both in their earnings and expenditures. Although the rates of increase are higher in some theatres than in others, on the average it appears as a homogeneous group. However, as we mentioned earlier, because of their initial small budgets, rates of increase rise much faster than in the groups with larger budgets.

The third subgroup consists of three theatres with budgets ranging in 1972 between $25,000 and $43,000. The annual rates of increase of individual items are: earned income, 14.5 percent; unearned income, 15.0 percent; and expenditures, 18.7 percent. Although two of the theatres in this subgroup experienced a tremendous expansion in their earned income, one has had a slight decline in both earned income and operating expenditures. However, the same theatre managed to have an almost balanced budget because of a greater increase in unearned income. The non-growth pattern of this particular theatre may be explained by the fact that it is highly experimental in its artistic pursuits, provides support to new playwrights, and tries to reach lower income audiences.

Finally, the last subgroup includes three theatres with budgets ranging between $80,000 and $120,000. Their annual rates of increase are: earned income, 7.3 percent; unearned income, 10.0 percent; and expenditures, 11.0 percent. The earned income of this subgroup has declined, on the average, by 7.3 percent. This is the result of the policy of one of the theatres to adopt a wider policy of free admissions (this, since 1972). When we recalculated the rates after excluding this theatre from the sample, we found that earned income for the remaining two theatres increased by 30 percent. Moreover, since the bulk of income for this theatre with the policy of free admissions comes from contributions, we also re-estimated unearned income rates for the other two theatres and we found that, on the average, their unearned income increased by 7.0 percent.

3. Budget Shares: Operating Expenditures

Because of the way that expenditures are reported, we treat production and operating expenditures together. As in the larger not-for-profit theatres, we had a difficult time deciphering the reporting found in the financial statements of individual developmental theatres concerning individual cost items. Exhibits A through D in Figure III-31 indicate the difficulty in separating performers' salaries from other artistic salaries (Exhibits A, C, D), separating salaries from non-salary expenses (Exhibits A and C), and even separating artistic from non-artistic personnel (Exhibit B). These limitations have forced us to work with smaller samples in order to report individual cost items with consistency. Smaller samples were also advisable in order to deal with small budget ranges. Small budget ranges were of greater importance in analyzing the statistics of the developmental

Figure III-31

Exhibits of Expenditure-Reporting by Developmental Theatres

Expenses

- Administrative
- Clerical
- Artistic
- Technical
- Fringe Benefits
- Outside Professional Services (Fees)
- Supplies and Materials
- Rental
- Fundraising costs
- Advertising and promotion
- Travel
- Production costs

Expenses

- Wages - officers
- Wages - staff
- Payroll taxes
- Insurance and benefits
- Interest and bank charges
- Rent
- File fee
- Transportation & per diem
- Printing & tickets
- Advertising
- Professional fees
- Truck rental
- Office supplies
- Telephone
- Utilities
- Dues
- Miscellaneous

C

Expenditures

- Staff Office Payroll
- Program Consultants - Administrative
- Program Consultants - Artistic
- Technical Consultants
- Outside Professional Fees - Administrative
- Outside Professional Fees - Artistic
- Payroll Taxes
- Rent
- Utilities
- Transportation Expenses
- Advertising, Publicity and Promotion
- Publicity and Special Consultation Fees
- Telephone and Telegraph
- Hardware and Equipment Maintenance
- Office Supplies and Postage
- Program Supplies and Materials
- Insurance Expenses
- Equipment Rentals
- Option Expense
- Fund Raising
- Bank Charges and Interest
- Miscellaneous Expenses
- Depreciation Expense

D

Expenses

- Production materials
- Advertising
- Space rental
- Fees: Directors/Trainers
  - Performers/Technicians
  - Designers
  - Composer
  - Clerical
  - Grants Consultant
  - Professional Services
- Office Supplies
- Postage
- Printing
- Telephone
- Maintenance
- Transportation
- Videotaping

theatre than those of the larger ones. The smaller the budget, the greater the impact that even a few thousand dollars can have in budget allocation. Tables III-35 through III-38 illustrate the budget allocations of 10 developmental theatres stratified according to budget sizes into four different groups.

a. Trends in Operating Expenditures

Tables III-35 and III-36 report on five theatres with budgets under $25,000 in 1971-1972. In Table III-35 we were unable to obtain a salary breakdown by category. As we see, on the average, salaries comprise the largest item of the budget, gaining steadily between 1971 and 1976 (from 37.2 percent to 59.0 percent). Other important cost items are supplies and materials used for scenery, sets and costumes (7.9 percent); operational costs such as rent, maintenance, etc. (8.4 percent); and transportation/per diems (9.4 percent).

In Table III-36, besides salaries and rentals, promotion also claims a good share of the budget (7.4 percent). The annual rate of increase of all costs has been estimated to be 48.4 percent for Table III-36 and 20.9 percent for Table III-35, again lending support to our earlier observation that the smaller the budget the higher the rates of annual changes. We calculate individual cost item rates of increase for Tables III-37 and III-38.

Table III-37 reports on the budget shares of three theatres with budgets between $50,000 and $80,000, and Table III-38 reports on the budget shares of two theatres with budgets between $100,000 and $150,000. We estimated the annual rates of increase of individual cost items as detailed in Table III-39. Although individual cost items seem to be increasing at

Table III-35

Cost Composition of Operating Budgets

2 Developmental Theatres (Average Budgets of $10,000 - $25,000 During Fiscal Year 1971)

Salaries and Other Expenses	1971	Percent of Total	1972	Percent of Total	1973	Percent of Total	1974	Percent of Total	1975	Percent of Total	1976	Percent of Total
1,2,3. Salaries	8,558	37.2	11,075	39.4	13,301	51.9	14,342	39.1	23,559	48.1	39,058	59.0
4. Fringe Benefits/Taxes	477 (1)	2.1	476 (1)	1.7	573 (1)	2.0	599 (1)	1.6	2,150 (1)	4.4	1,213	1.8
5. Fees	680 (1)	3.0	750 (1)	2.7	490 (1)	1.9	398 (1)	1.1	1,478	3.0	1,500	2.3
6. Supplies and Materials	2,282	9.9	1,270	4.5	1,926	7.5	6,409	17.5	6,149	12.6	5,250	7.9
7. Theatre Costs/Rentals/Maintenance	2,873	12.5	4,910	17.5	3,103	12.1	5,391	14.7	5,912	12.1	5,538	8.4
8. Promotion	1,291	5.6	2,037	7.2	1,383	5.4	1,245	3.4	1,626	3.3	3,380	5.0
9. Travel/Transportation/Per Diems	3,403 (1)	14.8	4,800 (1)	17.1	923 (1)	3.6	4,701 (1)	12.8	3,909 (1)	8.0	6,250 (1)	9.4
10. Royalties/Scripts	110 (1)	.5	152 (1)	.5	72 (1)	.3	119 (1)	.3	-	-	-	-
11. Educational Expenses	-	-	-	-	-	-	-	-	-	-	-	-
12. Other	3,322	14.4	2,645	9.4	3,880	15.1	3,436	9.4	4,148	8.5	3,988	6.0
TOTAL	22,996	100.0	28,115	100.0	25,651	100.0	36,640	100.0	48,931	100.0	66,177	100.0

Source: Finance Sample III, op. cit.

Table III-36

Cost Composition of Operating Budgets

3 Developmental Theatres (Average Budgets Under $10,000 During Fiscal Year 1971)

Salaries and Other Expenses	1971	Percent of Total	1972	Percent of Total	1973	Percent of Total	1974	Percent of Total	1975	Percent of Total	1976	Percent of Total
1. Administrative Salaries	-	-	264 (2)	2.0	5,000 (2)	9.8	12,200 (2)	17.1	10,450	16.9	17,150	16.7
2. Artistic Salaries/Fees	6,850 (1)	73.5	5,762 (2)	43.1	28,465 (2)	55.8	31,787 (2)	44.6	22,779	36.9	41,522	40.4
3. Production/Technical Salaries	500 (1)	5.4	1,730 (1)	12.9	2,777 (2)	5.4	4,940 (2)	6.9	3,500 (1)	5.7	6,500 (1)	6.3
4. Fringe Benefits/Taxes	-	-	-	-	-	-	-	-	3,688 (1)	6.0	4,785 (1)	4.7
5. Fees	-	-	278 (2)	2.1	425 (1)	.8	930 (1)	1.3	2,645	4.3	3,417	3.3
6. Supplies and Materials	950 (1)	10.2	637	4.8	2,909	5.7	3,622	5.1	4,616	7.5	6,190	6.0
7. Theatre Costs/Rentals/Maintenance	400 (1)	4.3	2,170	16.2	3,181	6.2	4,124	5.8	4,066	6.6	9,000 (2)	8.8
8. Promotion	150 (1)	1.6	738	5.5	1,474	2.9	2,062	3.0	3,414	5.5	7,633	7.4
9. Travel/Transportation/Per Diems	-	-	661 (2)	4.9	4,352 (2)	8.5	5,916	8.3	5,174	8.4	4,167	4.1
10. Royalties/Scripts	-	-	-	-	-	-	-	-	-	-	1,200 (1)	1.2
11. Education Expenses	-	-	300 (1)	2.2	1,688 (2)	3.3	3,750 (1)	5.3	-	-	-	-
12. Other	466 (1)	5.0	827 (2)	6.2	775	1.5	1,910 (2)	2.7	1,423	2.3	1,277	1.2
TOTAL	9,316	100.0	13,367	100.0	51,046	100.0	71,241	100.0	61,755	100.0	102,841	100.0

Source: Finance Sample III, op. cit.

Table III-37

Cost Composition of Operating Budgets

3 Developmental Theatres (Average Budgets of $50,000 - $80,000 During Fiscal Year 1971)

Salaries and Other Expenses	1971	Percent of Total	1972	Percent of Total	1973	Percent of Total	1974	Percent of Total	1975	Percent of Total	1976	Percent of Total
1. Administrative Salaries	6,897 (2)	9.5	7,713 (2)	11.2	7,570 (2)	9.5	9,694	11.6	11,000	10.8	17,750 (2)	13.6
2. Artistic Salaries/Fees	15,830 (2)	21.8	13,696 (2)	19.8	24,204 (2)	30.4	21,563	25.8	30,000	29.6	36,800 (2)	28.2
3. Production/Technical Salaries	5,611 (2)	7.7	5,919 (2)	8.6	4,010 (2)	5.0	4,638	5.6	6,367	6.3	5,250 (2)	4.0
4. Fringe Benefits/Taxes	5,177 (2)	7.1	4,910 (2)	7.1	5,892 (2)	7.4	2,972 (2)	3.6	4,825 (2)	4.8	7,993 (2)	6.1
5. Fees	1,178	1.6	1,935	2.8	2,920	3.7	2,347	2.8	2,800	2.8	2,703	2.1
6. Supplies and Materials	7,730	10.7	6,352	9.2	5,596	7.0	9,762	11.7	7,000	6.9	12,600	9.7
7. Theatre Costs/Rentals/Maintenance	9,343	12.9	9,386	13.6	10,320	13.0	11,563	13.9	13,200	13.0	14,426	11.1
8. Promotion	5,770	8.0	4,786	6.9	3,751	4.7	6,861	8.2	7,667	7.6	11,559	8.9
9. Travel/Transportation/Per Diems	1,913 (1)	2.6	3,868	5.6	6,595 (2)	8.3	2,711	3.2	8,900	8.8	9,563	7.3
10. Royalties/Scripts	-	-	-	-	2,250 (1)	2.8	1,047 (1)	1.3	1,000 (1)	1.0	1,824 (2)	1.4
11. Educational Expenses	-	-	-	-	-	-	1,547 (1)	1.9	1,500 (1)	1.5	-	-
12. Other	13,038	18.0	10,551	15.3	6,505	8.2	8,765	10.5	7,150	7.1	9,959	7.6
TOTAL	72,487	100.0	69,116	100.0	79,613	100.0	83,470	100.0	101,409	100.0	130,427	100.0

Source: Finance Sample III, op. cit.

Table III-38

Cost Composition of Operating Budgets

2 Developmental Theatres (Average Budgets of $100,000 - $150,000 During Fiscal Year 1971)

Salaries and Other Expenses	1971	Percent of Total	1972	Percent of Total	1973	Percent of Total	1974	Percent of Total	1975	Percent of Total	1976	Percent of Total
1. Administrative Salaries	7,957	6.6	9,113	7.3	15,251	8.7	24,670	12.5	31,421	15.5	29,838	17.3
2. Artistic Expenses/Fees	61,334	51.2	61,365	49.1	88,105	50.3	80,494	40.8	81,182	40.1	65,744	38.0
3. Production/Technical Salaries	7,693 (1)	6.4	8,536	6.8	11,012 (1)	6.3	11,965	6.1	7,182	3.6	9,740	5.6
4. Fringe Benefits/Taxes	7,244	6.0	8,380	6.7	9,070	5.2	11,574	5.9	12,203	6.0	11,584	6.7
5. Fees	5,243	4.4	2,954	2.4	2,786	1.6	5,850	3.0	7,063	3.5	5,795	3.4
6. Supplies & Materials	8,062	6.7	5,238	4.2	9,594	5.5	11,572	5.9	10,813	5.3	7,523 (1)	4.3
7. Theatre Costs/Rentals/Maintenance	3,741	3.1	7,968	6.4	7,961	4.5	13,757	7.0	10,242	5.1	9,458	5.5
8. Promotion	6,208	5.2	6,274	5.0	13,515	7.7	11,793	6.0	13,620	6.7	10,421	6.0
9. Travel/Transportation/Per Diems	11,149	9.3	9,763	7.8	8,641	4.9	14,862	7.5	25,025	12.4	17,610	10.2
10. Royalties/Scripts	-	-	1,416 (1)	1.1	3,540 (1)	2.0	5,200 (1)	2.6	2,304 (1)	1.1	2,941 (1)	1.7
11. Educational Expenses	-	-	3,094 (1)	2.5	2,528 (1)	1.4	3,600 (1)	1.8	-	-	210 (1)	.1
12. Other	1,158	1.0	872	.7	3,254	1.9	1,738	.9	1,146	1.6	2,104	1.2
TOTAL	119,789	100.0	124,973	100.0	175,257	100.0	197,075	100.0	202,201	100.0	172,968	100.0

Source: Finance Sample III, op. cit.

substantially different rates, certain categories (i.e., salaries, rentals, promotion, per diems) seem to increase faster than others. The average increase for the total budgets of all the five theatres is approximately 10 percent annually.

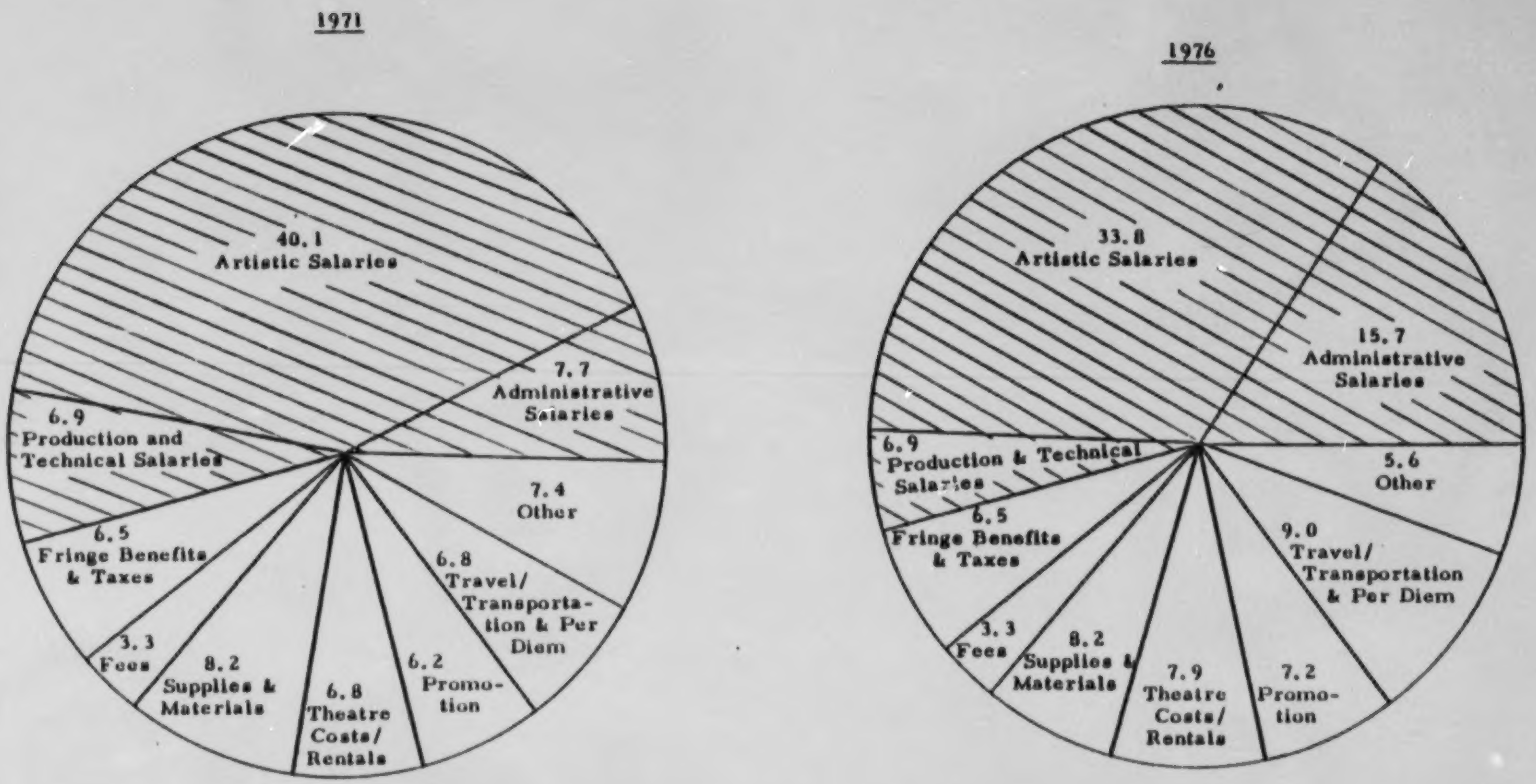
For a more comprehensive view, we combined the budgets of Tables III-37 and III-38 for the years 1971-72 and 1976-77 and we estimated the budget shares of individual cost items, illustrated in Figure III-32

Although the total salary share has remained almost constant (54.7 in 1971 versus 54.4 in 1976), individual salary categories have changed. Artistic salaries comprise 33.8 percent of the budget in 1976 versus 40.1 percent in 1971; administrative salaries have gained 8 points. Per diems and transportation have increased their share by 2.2 percent, and miscellaneous costs have decreased slightly from 7.4 percent to 5.6 percent. On the whole, no dramatic shifts in budget shares are observed except for the losses in the share of artistic salaries versus the gains in administrative ones. This, though, is explained by the fact that in 1971-72 the reported administrative salaries by all five theatres were very modest, both in absolute and in comparative terms. 1/

1/ Whether all administrative costs were reported as such, at the time, or were incorporated into other cost categories is an area open to further investigation.

Figure III-32

Budget Shares of Individual Cost Items -- Five Developmental Theatres With Budgets Between $50,000 - $150,000 During Fiscal Year 1971



Source: Tables III-37 and III-38

Table III-39
Annual Rates of Increase
Of Individual Cost Items, Five Developmental Theatres*
1971 - 1977

Cost Item	Table III-38 (3 Theatres) % Increase Budget Range: \$50-\$80,000	Table III-39 (2 Theatres) % Increase Budget Range: \$100-\$150,000
1. Administrative Salaries	17.3	30.9
2. Artistic Salaries	18.4	3.1
3. Production Technical Salaries	.09	2.1
4. Fringe Benefits/Taxes	4.1	10.6
5. Fees	14.4	11.
6. Supplies & Materials	9.4	5.8
7. Theatre Costs/Rentals/Maintenance	9.5	17.
8. Promotion	15.7	13.7
9. Travel/Transportation/Per Diem	27.6	16.
10. Royalties/Scripts	----	----
11. Educational Expenses	----	----
12. Other	6.3	9.
TOTAL:	11.8	9.7

* Estimates based on Tables III-37 and III-38

b. 1976-77 Operating Expenditure

In our cross-sectional sample of Table III-40 we averaged budgets and individual cost items for 54 developmental theatres. In constructing this sample, we tried to take into consideration not only budget sizes but also geographic location and other special characteristics. Table III-40 depicts the budget shares of three major groups: 24 theatres from New York City, 20 from all over the country ("Regional") except New York City, and 10 from various parts of the country characterized as "Ethnic." These major groups are divided into individual groups by budget category. There are three subgroups of the New York City sample and another three for the Regional. The Ethnic sample was divided into two groups.

Budget shares seem to be comparable among the various groups. The predominant cost item in all the budgets is "artistic salaries," followed by "administrative salaries" and "theatre rentals," etc. On the average, all salary categories comprise 51.2 percent of the budget, as Figure III-33 illustrates. Total average salaries of the individual subgroups of the sample ranged from 34.8 percent of total average budget to 57.4 percent. The New York City sample's artistic salaries have a greater share of the budget than the other two groups. On the average, the Regional and Ethnic groups have higher administrative salaries. The average administrative salaries for all the groups comprise approximately 15 percent of the budget and the average artistic salaries 29.6 percent (Figure III-33).

Fringe benefits seem to be a greater budget item in the New York City and the Ethnic samples than in the Regional sample. New York theatres also seem to allocate a greater part of their budgets for rentals, etc., than the theatres in the other groups. On the average, fringe benefits for all theatres are 4.5 percent (Figure III-33).

Table III-40

Average Budgets of 54 Developmental Theatres
Cross-Sectional Data, 1976-1977
(Grouped According to Geographical Location, Budget Size and Special Character)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
COST ITEMS	NEW YORK CITY						REGIONAL						ETHNIC					
Salaries/Expenses	8 Theatres with Budgets From $19,000 to $50,000		13 Theatres with Budgets From $50,000 to $110,000		3 Theatres with Budgets From $240,000 to $380,000		9 Theatres with Budgets From $20,000 to $60,000		7 Theatres with Budgets From $70,000 to $120,000		4 Theatres with Budgets From $200,000 to $300,000		4 Theatres with Budgets From $10,000 to $70,000		6 Theatres with Budgets From $120,000 to $300,000		Total of 54 Theatres	Percentage of Total of Column (18)
	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%		
1. Administrative Salaries	4,464 (7)*	10.8	9,056	10.9	38,102	13.0	4,732 (7)	10.7	18,786	17.1	40,386	15.8	12,497 1/ (3)	27.5	30,421	16.4	158,641	15.0
2. Artistic Salaries	13,148	31.8	25,720	30.9	80,295	27.4	7,716	17.4	34,111	29.3	87,596	34.0	12,897	28.4	54,402	29.3	313,879	29.6
3. Production/Technical Salaries	4,326 (8)	10.5	7,630 (11)	9.2	18,030 (2)	6.1	2,990 (7)	6.7	3,969 (3)	3.6	19,684 (2)	7.6	-	-	13,740 (4)	7.4	70,377	6.6
4. Fringe Benefits and Taxes	2,214 (6)	5.4	3,538 (10)	4.2	15,365	5.2	1,137 (4)	2.6	2,821 (5)	2.6	9,729 (2)	3.8	3,723 (2)	8.2	9,859	5.3	48,376	4.5
5. Fees	1,190 (5)	2.9	3,263 (7)	3.9	5,150	1.8	1,751 (6)	3.9	1,088 (4)	1.0	11,457 (3)	4.5	-	-	4,291	2.3	28,190	2.7
6. Supplies and Materials (also Rentals of Sound and Light Equipment, etc.)	2,908 (7)	7.0	7,664	9.2	21,850	7.4	4,242	9.6	9,845	9.0	12,646	4.9	2,667 (3)	5.9	9,079	4.9	70,894	6.7
7. Theatre Rentals, Maintenance Costs, Expenses Related to Operations and Utilities	6,046	14.6	9,946	11.9	39,133	13.3	7,640	17.2	11,211	10.2	20,650	8.0	3,983 (3)	8.8	20,166	10.8	118,731	11.2
8. Promotion, Publicity, Printing	3,904 (7)	9.4	5,781	6.9	35,467	12.1	3,742	8.4	5,840	5.3	26,515	10.3	1,345	3.0	6,655	3.6	89,557	8.4
9. Travel, Transportation and Per Diems	863 (6)	2.1	6,281 (10)	7.5	12,310 (2)	4.2	1,886 (7)	4.3	6,363 (4)	5.8	17,581 (3)	6.8	1,250 (2)	2.8	17,870	9.6	64,412	6.1
10. Royalties and Scripts	415 (4)	1.0	1,128 (3)	1.4	12,600 (1)	4.3	4,160 (3)	9.4	2,120 (6)	1.9	3,540	1.4	1,350 (2)	3.0	2,433 (3)	1.3	27,746	2.6
11. Educational Expenditures	-	-	-	-	4,000 (2)	1.4	395 (2)	.9	8,789 (3)	8.0	480 (1)	.2	3,500 (1)	7.7	2,640 (2)	1.4	19,794	1.9
12. Other	1,834 (7)	4.4	3,475 (12)	4.2	11,270 (2)	3.8	3,927 (8)	8.9	6,714	6.1	7,010	2.7	1,812 (3)	4.0	14,334 (5)	7.7	50,194	4.7
TOTAL	41,381	100.0	83,166	100.0	293,560	100.0	44,312	100.0	109,656	100.0	257,414	100.0	45,524	100.0	185,910	100.0	1,060,971	100.0

* The numbers in parentheses denote the actual sample reporting on the particular cost item on which we calculated our averages.

1/ Includes production and technical salaries.

Source: Finance Sample III, op. cit.

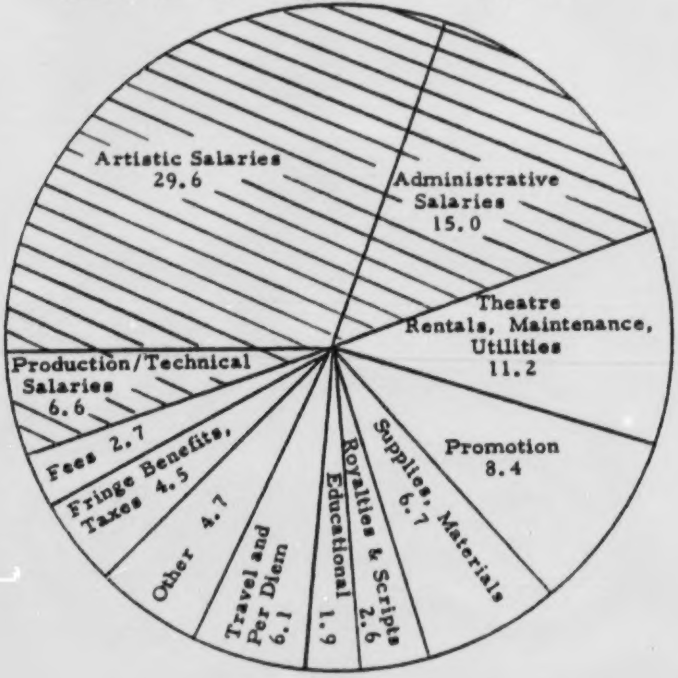
Educational expenditures, as such, are reported only by very few theatres and occupy the most minute share of the budget (1.9 percent, Figure III-33). Promotion expenditures seem more or less to comprise similar budget shares among the various subgroups with the exception of the Ethnic group, which appears to allocate less of its resources for this cost item.

Supplies and materials (for scenery, sets, etc.), with an average share of 6.6 percent of total average budgets (Figure III-33) and an average rate of annual increase at 7 percent (Table III-39, p. 122) appear to comprise a modest part of the total costs of the developmental theatre.

Figure III-33

Percent Composition of Costs for 54 Developmental Theatres

Salaries and Expenses -- 1976-77



Source: Tabel III-40, column 19.

4. Relationship Between Budget and Activity

As we did for the larger not-for-profit theatres, we shall discuss here some of the developmental theatres' average budgets in relation to the level of their activity. Columns 1 and 2 in Table III-41 indicate the identification letters and the number of theatres for each group which we have assembled according to budget size (Column 3). Average budget size per group is reported in Column 4, and the range and median number of productions for the season in Column 5. Column 6 reports the range of number of performances as well as median performances for the group. Average performances for each group are reported in Column 7, as well as their geographical location.

According to the information of Table III-41 and under the assumption that, on the average, each group's total number of performances is the same as the median, the total earnings required to cover the average operating and production costs per performance for each theatre group have been estimated in Table III-42.

The question arises whether the developmental theatres, by and large, are able to cover their expenditures through earnings obtained from ticket sales. Table III-43 shows estimated average cost per seat for the 1976-77 season for the same group of theatres as in Table III-41. It shows, as well, the average ticket price charged by each group. Our calculations are based on the assumption that the average available capacity is sold out. In spite of this optimistic assumption, only groups A, B and C seem to be able to cover their operating costs per seat per performance from average ticket pricing. The groups with the larger budgets appear to be unable to

Table III-41

Location, Budget Size, Number of Productions and Performances

1976-77

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)								
Theatre Group	Number of Theatres in Group	Range of Budget Group	Average Budget Size per Theatre in Each Group	Range of Number of Productions (Median for the Group)	Range of Number of Performances (Median for the Group)	Performance/ Production 1/	Location of Theatres by Region 2/								
							a	b	c	d	e	f	g	h	i
A	16	10,000-25,999	18,414	1-10 (4)	24-200 (62)	17.9	2	7	2	2	2				1
B	23	26,000-50,999	37,540	1-24 (4)	22-265 (80)	18.0	1	10	2	1	1	1		1	6
C	18	51,000-75,999	58,162	2-39 (6)	25-237 (117)	12.9	2	9	1	1	2			1	2
D	15	76,000-100,999	87,732	2-28 (6)	49-329 (99)	17.6	2	12			1				
E	24	101,000-200,999	139,347	2-30 (6)	41-427 (120)	16.3	1	10	3		2		1	1	6
F	13	201,000 and over	310,442	2-11 (7)	9-477 (98)	19.7	1	6	2		2				2

1/ This figure was derived by dividing the total number of performances per season by the total number of productions per season as reported by the individual theatres in each group.

2/ a: New England
b: Middle Atlantic
c: East North Central
d: West North Central
e: South Atlantic
f: East South Central
g: West South Central
h: Mountain
i: Pacific

Source: Finance Sample III, op. cit.

Table III-42

Earnings per Performance Required to Meet Production/Operating Expenditures; 109 Developmental Theatres 1976-77

(1) Theatre Group	(2) Optimal Average Earnings/Performance (Dollars) *
A	289
B	469
C	497
D	886
E	1,161
F	3,168

* Column 2 is derived by dividing Column 4 by the Median of Column 6 from Table III-41.

meet their operating costs and/or quasi-fixed costs from the sale of tickets. Whether indeed this information deduced from Tables III-41 and III-42 is realistic depends, as in the case of the larger not-for-profit theatres, on additional pieces of information which we do not have, such as: percent of capacity filled; percent of tickets sold under the quoted price range; percent of tickets sold on discount; percent of free distributed tickets; separate information on production and operating costs; etc. The interesting observation derived from this tentative statistical exercise is that even under the best of conditions developmental theatres may not be able to cover their budgets from ticket revenues.

Table III-43

Average Cost Per Seat: 1976-77 Season and Per Performance

109 Developmental Theatres

(1) Theatre Group	(2) Average Capacity (Seats)	(3) Average Budget	(4) Average Cost per Seat for Season ($)	(5) Average Cost per Seat per Performance ($) 7/	(6) Average Individual Ticket Price ($) + Range
A (16)	119 1/	18,414	154.74	2.50	3.52 8/ (2.50-8.50)
B (23)	180 2/	37,540	208.56	2.61	3.68 9/ (2.50-6.00)
C (18)	171 3/	58,162	340.13	2.91	3.15 10/ (2.50-5.00)
D (15)	131 4/	87,732	669.71	6.76	3.44 11/ (1.50-7.00)
E (24)	190 5/	139,347	733.41	6.11	3.96 12/ (1.00-7.50)
F (13)	339 6/	310,442	915.76	9.34	5.36 13/ (2.50-20.00)

1/ 11 theatres reporting capacity

2/ 20 theatres reporting capacity

3/ 15 theatres reporting capacity

4/ 12 theatres reporting capacity

5/ 21 theatres reporting capacity

6/ 11 theatres reporting capacity

7/ Figures are derived by dividing each group in Column (4) by the Median figure for each group indicated in Column (6), Table III-41.

8/ 13 theatres reporting ticket price

9/ 18 theatres reporting ticket price

10/ 15 theatres reporting ticket price

11/ 13 theatres reporting ticket price

12/ 20 theatres reporting ticket price

13/ 9 theatres reporting ticket price

Source: Finance Sample III, op. cit.

5. Income

The average total income of developmental theatres in our sample is comprised of almost equal shares of earned income and contributions. Using a sample of 115 theatres (including ethnic organizations), we estimated that in the 1976-77 fiscal year their earned income as a percent of total income ranged from 0 to 90 percent. Figure II-34 depicts the distribution of earned/total income. We see that only two theatres are completely dependent on contributions. The total expenditures of these two theatres are $100,000 and contributions cover only 70 percent of their budgets. The majority of the 115 theatres earn more than 40 percent of their total income.

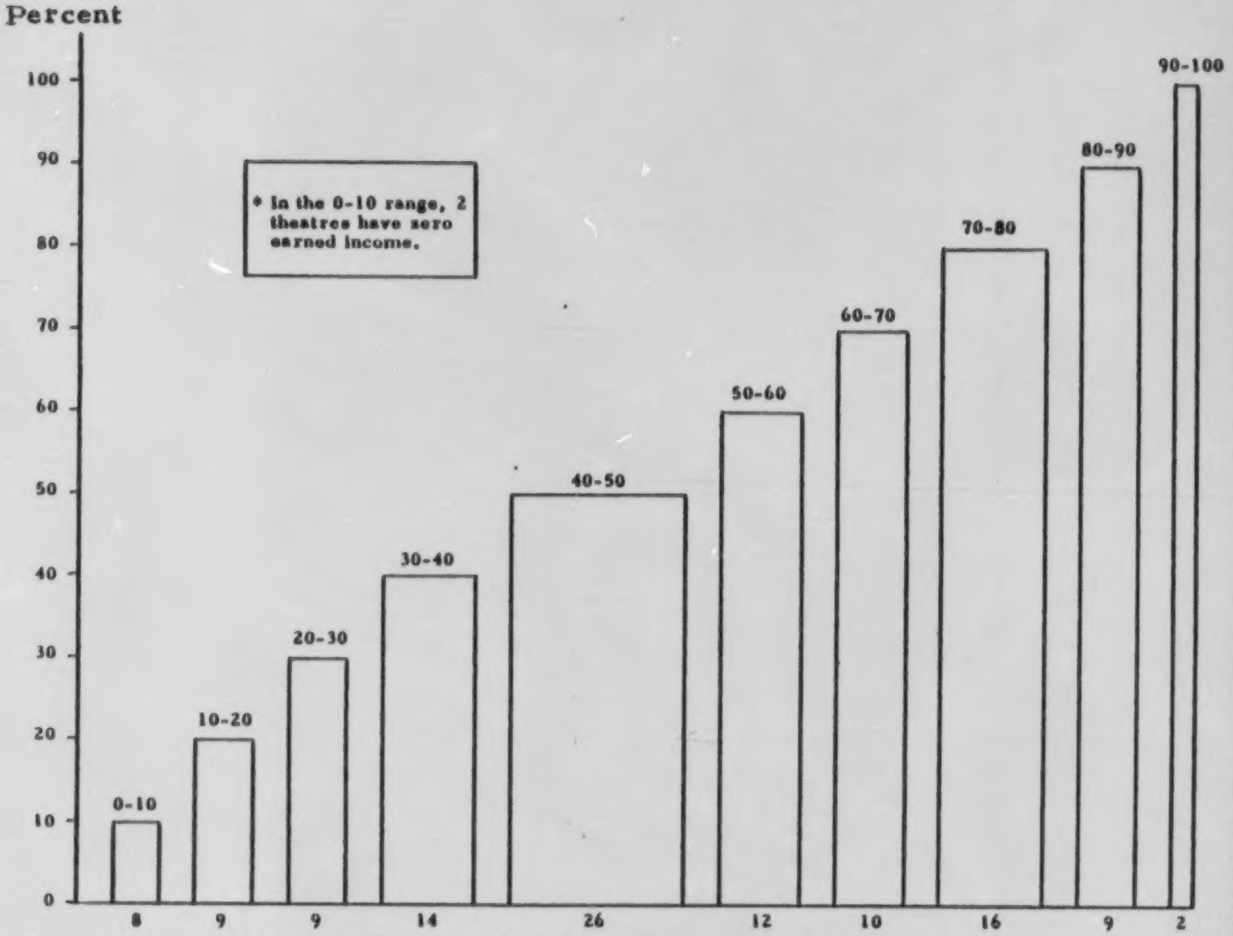
a. Earned Income

The major sources of earned income for the developmental theatres are box office receipts, performing fees and touring fees. In addition, developmental theatres report payments received for services rendered to the community in the form of tuition, workshop fees, seminar revenues, etc. Further, there is income from royalties (usually a very small percent of total earned income), booksales, interest income, space rentals, selling of advertising space, renting of costumes, concessions, etc. Often, performing fees (lump-sum payments for a specified number of performances) are greater than box office receipts. For some theatres, income from services rendered in the form of seminars, workshops, etc., often constitute a large part of total earned income and at times it exceeds box office receipts.

Figure III-34

Earned Income as a Percent to Total Income

115 Developmental Theatres, 1976-77



Source: Finance Sample III, op. cit.

Subscriptions seem to be rather a small source of income, especially for the smaller theatres. However, they have "limited admission" tickets, which are usually bought in pairs by patrons. From our sample of 115 theatres, we identified 24 theatres with subscription or admissions programs. The total earned income of these theatres in 1976-77 was reported as approximately $1,500,000; the estimated income from subscriptions/admissions was found to be approximately $300,000 or 21 percent of their earned income. Although income derived from this source seems to be, on the average, less than from single ticket sales, it is a growing item and several developmental theatres are making efforts toward a more comprehensive subscriptions/admissions policy.

b. Unearned Income or Contributions

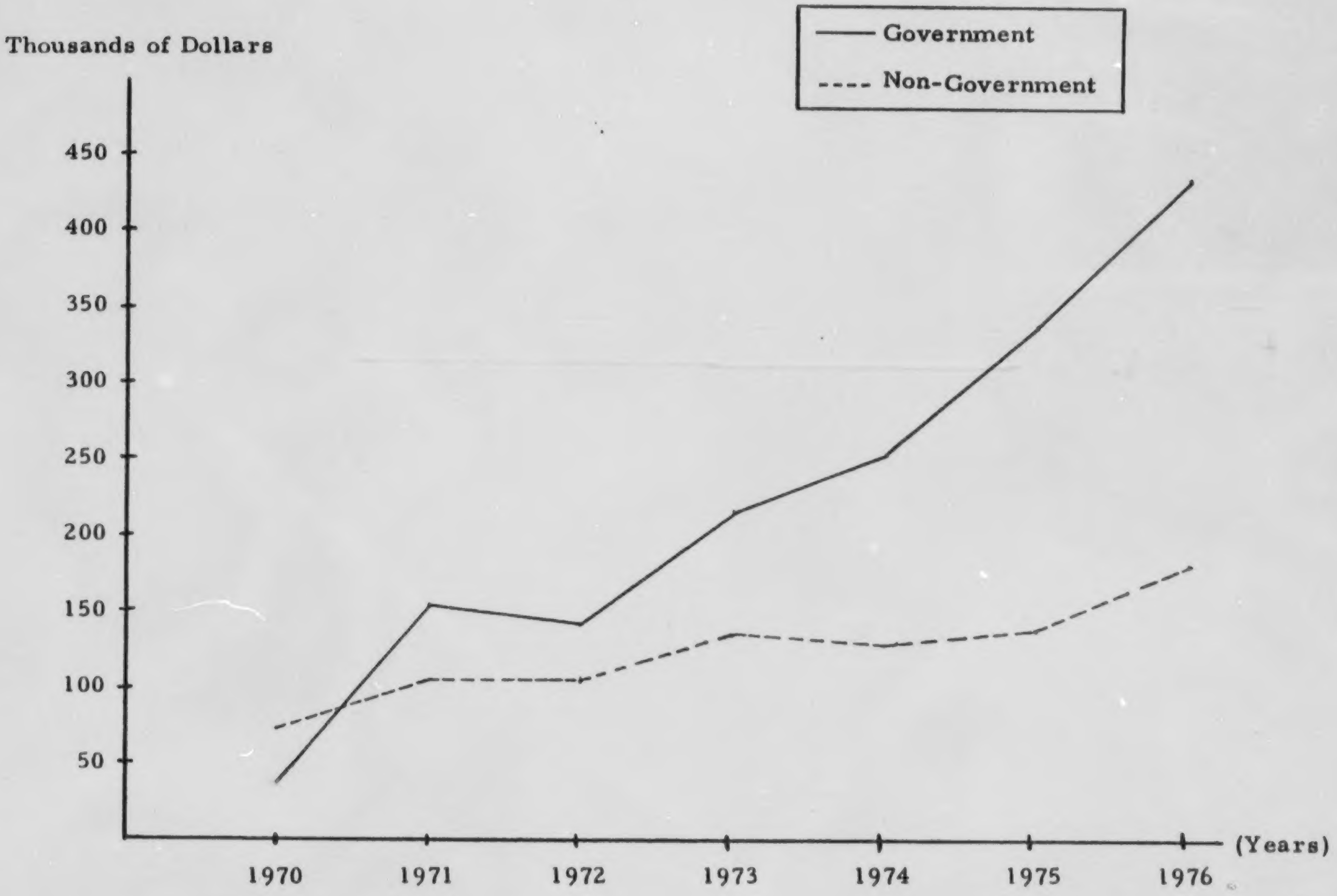
Developmental theatres receive the bulk of their contributions from government sources. Figure III-35 depicts time series data on government and non-government contributions to smaller theatres between the years 1970 and 1976. Clearly, government contributions have been increasing at a much faster rate than private ones, especially since 1970. As a percent of total grants, government again has been the major contributor, as depicted in Figure III-36.

Government contributions are channeled either directly through the agencies of Federal government or indirectly through the Arts Councils of the States. In addition, local governments give support to the smaller theatres.

In order to estimate the percent contributions of individual government sources to total government grants, we took samples from the New York

Figure III-35

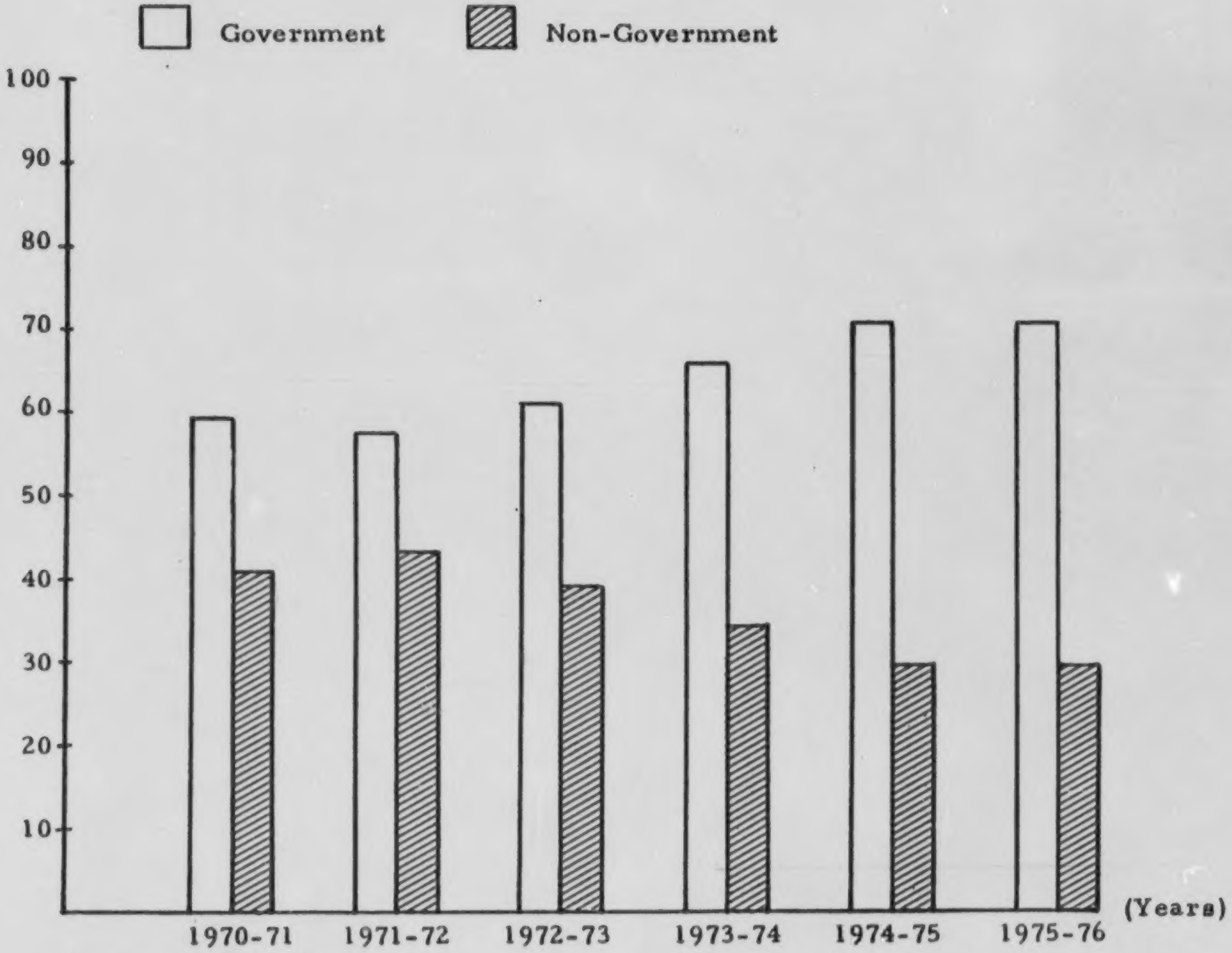
Government and Non-Government Grants to Ten New York State Developmental Theatres
1970 - 1976



Source: Finance Sample III, op. cit.

Figure III-36

Government and Non-Government Contributions as a Percent of Total Grants
(Ten New York State Developmental Theatres)



Source: Finance Sample III, op. cit.

City area, the rest of the country, and the New York State area. We also took a sample of 10 Ethnic theatres from all over the country.

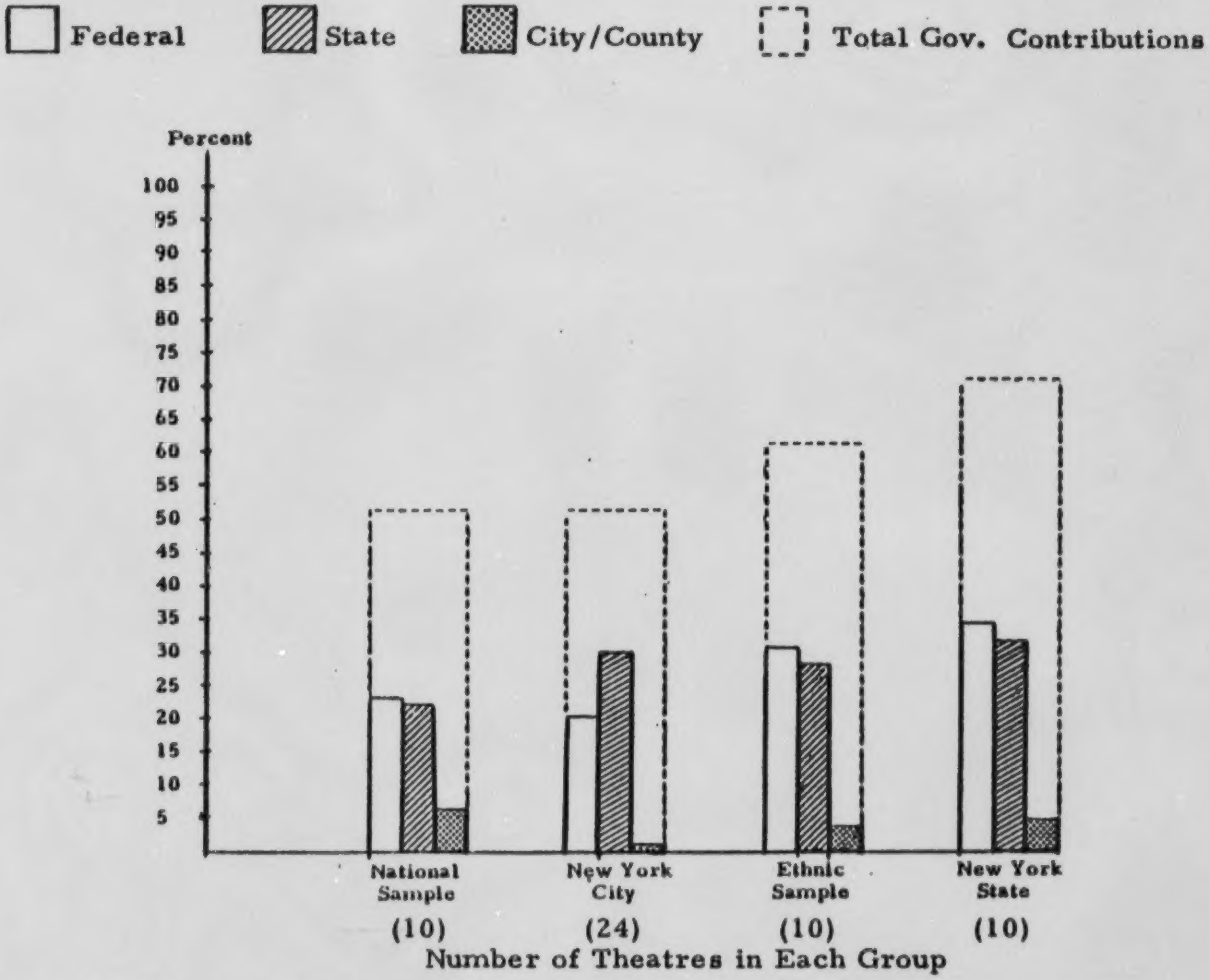
Figure III-37 depicts the important role of State Government in smaller theatre financing, which is based on our estimates of the relative shares of individual government sources to total government contributions. While in our "national" sample (which excludes the New York City theatres) the Federal and state governments have almost equal shares, in our New York City sample the State carries the bulk of contributions. Still small, but growing, is the city and county involvement especially for areas other than the New York City area. The New York State theatres depend more heavily on government sources for their unearned income than do the other groups we sampled followed by the group of Ethnic theatres.

Similar analysis has been done for contributions from the private sector and is illustrated in Figure III-38. As in our sample for the sources of the private sector, we used the same groups as for the government sources, thus taking into consideration both geographical location and special characteristics. Contributions from the private sector account for approximately 50 percent of unearned income for the New York City and National sample theatres. Ethnic theatres' unearned income from the private sector accounts for 38 percent of total contributions and the smallest share is that of the New York State theatres with only 30 percent of their unearned income being derived from the private sector.

The unearned income proportion in the budgets of the 11 Ethnic theatres of our sample is depicted in Figure III-39. On the average, Ethnic theatres seem to have the same range of earned/unearned income relationship as other developmental theatres. From the data shown in Table III-34,

Figure III-37

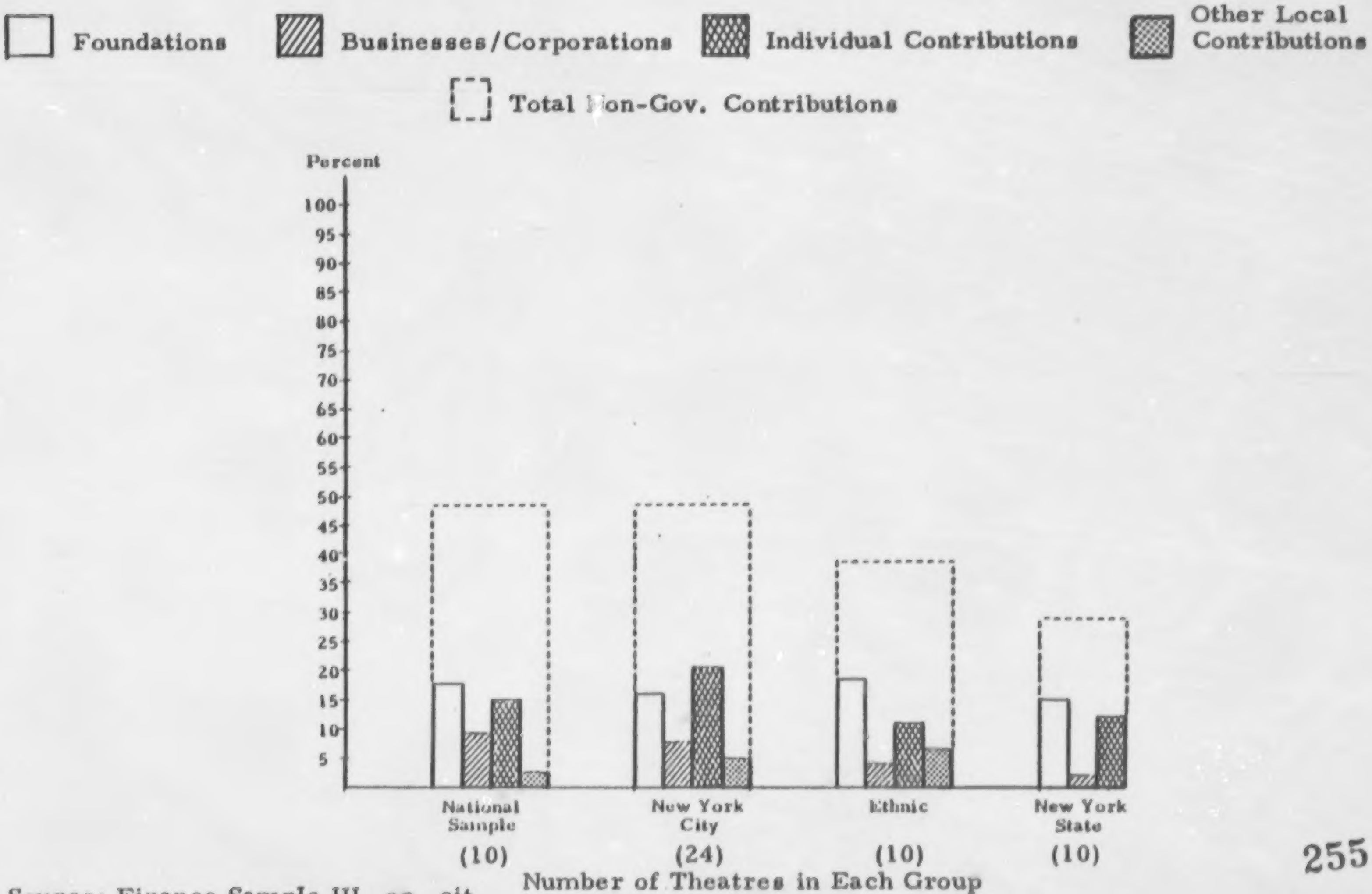
Government Contributions as a Percent of Total Unearned Income for Developmental Theatres - Four Samples, FY 1976



Source: Finance Sample III, op. cit.

Figure III-38

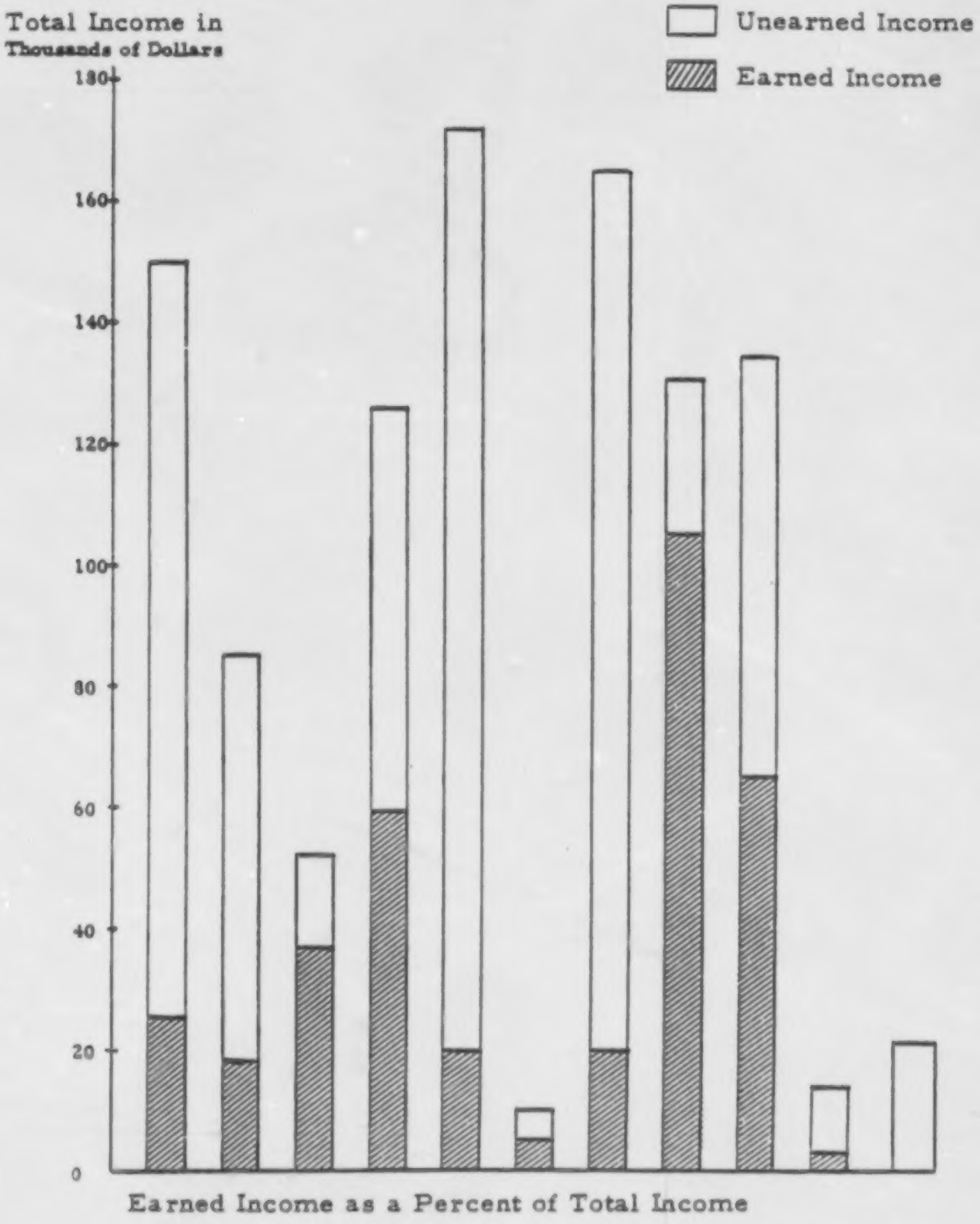
Non-Government Contributions as a Percent of Total Unearned Income fof Developmental Theatres - Four Samples FY 1976



Source: Finance Sample III, op. cit.

Figure III-39

Earned and Unearned Income
of 11 Developmental Ethnic Theatres



Source: Finance Sample III, op. cit.

we conclude that government contributes a relatively greater part of these theatres' unearned income than it does for most of the other developmental theatres. However, the size of the sample is not such as to permit the drawing of definite conclusions.

6. Conclusion

Our conclusions from the data discussed are the following:

- that activities of developmental theatres showed wide fluctuations and high rates of increase in both their expenditures and revenues. This is partly because they are relatively young, and partly because in the 1970's we are experiencing both high rates of inflation and increasing governmental interest in the small theatre.
- the bulk of smaller theatres appear to have avoided substantial deficits. On the average, 50 percent of all their revenue was from contributors.
- the fact that a greater percent of total expenditures than in the larger theatres was covered by contributions and grants was an implication of the objectives of smaller theatres, which are not compatible with large box-office receipts. These objectives include development of new ideas, new playwrights, new

plays, new talent, and presentation of plays to the public at low prices, thus promoting audience development.

- the private sector is less involved in the support of the smaller theatres, but the government, and in particular state governments, play an increasingly active role.

In comparing the economic conditions of both larger and smaller theatres we find that both have to live with accelerated rates of inflation in their costs and increasing uncertainty with the dwindling of certain sectors of private funding. This indicates that the support of the government will increase in importance, and for a smooth and uninterrupted development of the non-profit arts, the commitment will have to be reliable and adjustable to general economic conditions. On the other hand, the earning power of the non-profit theatre, large or small, is also increasing, albeit not fast enough to cover expenditures.

APPENDIX TO SECTION D

ETHNIC

Earned/Unearned Total Expenditures

Theatre Code	Operating Income						Total Operating Expenditures	Surplus (+) or Deficit (-)	% of Earned Income to Total Operating Expenditures
	Earned Income		Unearned Income		Total Income				
	Amount	% Total Income	Amount	% Total Income	Amount	% Total Income			
D-4	25,000	16.8	123,960	83.2	148,960	100.0	148,960	-	16.8
D-5	18,000	21.2	67,000	78.8	85,000	100.0	100,000	-15,000	18.0
D-32	36,580	70.6	15,200	29.4	51,780	100.0	51,955	- 205	70.4
D-35	58,585	46.6	67,150	53.4	125,735	100.0	125,735	-	46.6
D-36	0		24,812			100.0	134,215		0
D-49	20,000	10.4	172,000	89.6	192,000	100.0	197,000	- 2,000	10.2
D-68	5,000	50.0	5,000	50.0	10,000	100.0	22,155	-12,155	22.6
D-108	20,000	10.8	164,825	89.2	184,825	100.0	184,825	-	10.8
D-116	115,000	88.1	15,550	11.9	130,550	100.0	130,550	-	88.1
D-117	65,000	48.3	69,600	51.7	134,600	100.0	134,600	-	48.3
D-139	3,450	24.7	10,500	75.3	13,950	100.0	13,950		24.7
Total Amount	366,615		735,597		1,077,400		1,243,945		
Percent to Total Expenditures	29.47		59.13						

* Location: 6 From New York; 3 From California; 1 From Florida; 1 From Los Angeles

Source: Finance Sample III, op. cit.

IV. AUDIENCES

A. Introduction and Overview

In the two preceeding chapters, we have examined statistical indicators of trends and conditions in theatre activity and finance. Our purpose has been to see, in broad terms, where the theatre has been and where it seems to be going. We have also made preliminary investigations of factors that could explain these trends and conditions.

In this chapter, we expand our investigation of perhaps the most important factor explaining the present condition of the theatre and the direction it is likely to go -- audiences. Ultimately, it is our peoples' taste for the theatre and commitment to it that will determine the nature and extent of theatre in our Nation.

The data we examine in this chapter show that approximately 20 million Americans over the age of 16 attended at least one professional theatre performance during the 1976-77 theatre season, and many attended more than one time. We estimate that there were approximately 60 million tickets sold to live professional theatre performances during the 1976-77 season. While we have only limited data on attendance over the years, many indicators point to the conclusion that the number of attendances has increased over the past decade.

The data also show that theatre audiences span the range of theatre types discussed in Chapter II. Well over half of all theatre attendance now, for example, consists of attendance at regional, stock, and dinner theatres.

Perhaps the most interesting data in this chapter provide some explanation for why people go to theatre. Interestingly, experience and opportunity seem to be big factors in determining theatre attendance. This parallels a finding in water recreation research that the demand for water based recreation is strongly dependent upon previous opportunity and experience in engaging in this form of recreation.

The plan of the chapter is as follows. In Section B, we review briefly the nature of the evidence we have drawn upon to reach our conclusions in this chapter. As is the case in our other chapters, we have relied solely upon existing data; no new surveys of audiences or populations have been conducted.

Section C develops and discusses some estimates of attendance at live professional performances during the 1976-77 theatre season. These data show, as noted above, that approximately 20 million Americans attended at least one live professional performance during this season, and that total attendance for this season was about 60 million. Of this figure, the Regional theatre accounted for about 25 percent (in-house and touring), with substantial attendance at dinner theatre (approximately 17 percent of the total), Broadway (approximately 14 percent of the total), and for-profit touring and tryout performances (about 18 percent of the total). Section C also summarizes information on audience sizes, percent of capacity filled, and ticket prices, showing trends in recent years whenever possible.

Section D examines the social and economic make up of theatre audiences. The data we examine in this section show that the vast majority of the 20 odd million theatre attendees are relatively well-educated and have relatively high incomes. The data also show that theatre audiences are comprised almost equally of men and women, that the young tend to be over-represented while the old are under-represented, and that the Mid-Atlantic, New England, and Western regions have the highest proportions of theatre-goers in their populations while the South and Southwest have the lowest.

Section E summarizes information from recent polls on the public's attitudes toward the theatre. The data reveal a great deal of intrinsic commitments to the theatre and satisfaction with performances among theatre attenders. The chief barriers to attendance include a lack of exposure to the theatre and unavailability of performances. This section also reviews data showing that the public tends to favor government support of the arts in general, but that it is reluctant to favor such support to the theatre specifically.

In the final section of this chapter we examine the effect of price on demand for theatre tickets. The evidence on this effect is far from conclusive. It does appear, however, that demand may be dampened by price increases more so than earlier studies have suggested.

Throughout this chapter we have attempted to present separate findings pertaining to our different types of theatres whenever possible. We have generally not found major differences in the characteristics of these various audiences. It is worth emphasizing, however, that the recent growth in certain kinds of audiences, such as those for dinner, regional, and stock theatres, appears to be a significant development for the theatre industry, and we know relatively little about these audiences. Also, we do not have any data that describe specifically the audiences of smaller developmental not-for-profit theatres, although we suspect that they may differ in some respects from the audiences of larger, more established theatres that are well covered in our data.

B. Sources and Data

Our first task in the preparation of this chapter was to generate as nearly comprehensive a list as possible of studies and sources containing information on theatre audiences. Accomplishing this task was greatly facilitated by the work of a concurrent research project on the arts being conducted by Paul DiMaggio and Michael Useem (hereafter DU) at the Center for the Study of Public Policy under a grant from the National Endowment for the Arts.[1] The purpose of that project was to evaluate the methodology of existing arts-audience studies. To locate and obtain these studies, most of which remain unpublished, DU and their staff wrote to 1,200 agencies and organizations soliciting information on such studies, of whom 600 responded. These responses eventually yielded approximately 270 studies, of which approximately 70 concerned the theatre. Judging from follow-up interviews conducted by DU's staff, these studies appear to include all the major audience surveys completed by late Spring 1977. DU graciously gave us access to these studies. [1] The major surveys from which data have been drawn are summarized in Table IV-1.

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[1] Paul DiMaggio, Michael Useem, and Paula Brown, The American Arts Audience: Its Study and Its Character (Cambridge, Mass.: Center for the Study of Public Policy, 1977).

In addition to this information, which yielded only spotty estimates of absolute attendance figures, we sought data on theatre attendance, ticket prices, percent seating capacity filled, and subscriptions for each of the kinds of theatre included in our report. Where possible we also sought longitudinal data on trends in these factors. This information was obtained from a variety of sources, including the Theatre Communications Group, the Theatre Development Fund, the Ford Foundation, the League of Resident Theatres, Variety, the National Endowment, and from many individual theatres. For some kinds of theatre, it turned out that such information does not exist. In most cases, however, we were able to piece together a substantial body of material.

We should stress that the terms of our contract did not allow us to conduct our own surveys of theatres, theatre audiences, or the general public. Thus, we are limited to reporting and summarizing material already available from the various sources described.

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[1] The DiMaggio and Useem report focuses mainly on the methodology of arts audience studies but also contains summaries of findings concerning the demographic composition of audiences, similar to some of the findings presented in this chapter. The findings reported in the two studies agree on most basic points. However, the approach taken in this chapter differs from that taken by the DU study in that (a) we have relied most heavily on those studies that have been based on large samples and which have used systematic sampling procedures rather than merely averaging the results of all studies despite the unevenness of their quality, (b) we have attempted to present data where available that affords comparisons of the different types of theatre audience, and (c) we have also summarized information regarding the circumstances of theatre-going and the attitudes and commitments of the public toward the theatre.

Table IV-1

Tabular Summary of Audience Studies

Location	Date	Sponsor	Sample	Sample Size
12 cities	1972	Ford Foundation	Adult residents	6,000
Nation	1973	Associated Councils of the Arts	Adult residents	3,005
California	1974	California Arts Commission	Adult residents	1,001
Washington	1975	Washington State Arts Commission	Performing arts audiences	12,949
Playbill cities	1973	Metromedia, Inc.	Legitimate theatre audiences	1,277
New York	1972	American Council for the Arts in Education	Adult residents	1,531
New York	1973	American Council for the Arts in Education	Non-profit performing arts audiences	38,784
Nevada	1975	Nevada Council for the Arts	Adult residents	287
NYC	1971	League of New York Theatres	Audiences at 16 shows	2,830
Nation	1964	Twentieth Century Fund	Performing arts audiences	23,156

Sources (from top to bottom): Ford Foundation, the Finances of the Performing Arts, Vol II (New York: The Ford Foundation, 1974); National Research Center of the Arts, Americans and the Arts (New York: Associated Councils of the Arts, 1975); National Research Center of the Arts, Californians and the Arts (Sacramento: California Arts Commission, 1976); National Research Center of the Arts, A Study of Washingtonians' Attendance at Performing Arts Events and Museums (New York: National Research Center of the Arts, 1976); Playbill, A Study of the New York Theatre-going Market (New York: Metromedia, 1976); National Research Center of the Arts, The New York Cultural Consumer (New York: American Council for the Arts in Education, 1973); National Research Center of the Arts, Arts and the People (New York: American Council for the Arts in Education, 1974); Research and Educational Planning Center, Status of the Arts and Creative Activities in the State of Nevada (Reno, Nevada: State Council on the Arts, 1976); Eugene R. Black, Jr., Study of the New York Theatre (New York: New York City Cultural Council Foundation, 1972); William J. Baumol and William G. Bowen, Performing Arts: The Economic Dilemma (Cambridge, Mass.: MIT Press, 1966).

C. Theatre Attendance

This section presents information on attendance figures, trends, costs of tickets, and other circumstances of theatre attendance, such as the ways in which tickets are obtained and distances traveled to the theatre.

1. Total U.S. Theatre Attendance

Estimates of theatre attendance can be obtained in two ways: asking people how often they go, or asking theatres how many people come. Many theatres, as we shall see presently, do not keep accurate records of attendance. Thus, the best *overall* estimate of theatre attendance comes from asking people.

The most recent--indeed, the only--national survey which asked questions about theatre attendance was conducted in 1973. Although these data are several years old, we suspect that current figures would not differ greatly.

In 1973, 32 percent of the national adult population sampled reported that they had attended a "live theatre" performance at least once in the past twelve months. Projecting this percentage to the U.S. adult population (then numbering 145.5 million), suggested that approximately 46.6 million people in the United States attended the theatre at least once a year. The survey also found that 9 percent of the sample reported attending the theatre *only* once during the previous year, 12 percent reported attending two or three times, 6 percent reported attending four or five times, 3 percent reported attending from six to nine times, and 2 percent reported attending ten or more times.

To estimate the total number of theatre tickets sold (or given away) annually, we multiply the number of people who said they attended each number of times by the number of times they said they attended, and add. This yields an estimate of 157.8 million tickets.

But there are two sources of bias in this figure. One is that it may be inflated due to the fact that people responding to surveys sometimes wish to appear more knowledgeable about or involved in the subject of study than they really are. Undoubtedly, some of the respondents who said they'd been to the theatre within the past twelve months hadn't been there that recently, or at least hadn't been as often as they reported. Unfortunately, there is no direct way to estimate how much the figures may be biased because of inaccurate respondent reporting. The other problem is that the survey asked about attendance at all live theatre performances. Therefore, the results conceivably include attendance at school plays, free community programs, church skits, amateur theatre, and so forth. In other words, only a fraction of the result pertains to attendance at professional theatres, the chief focus of this study.

In the absence of a more accurate estimate of total theatre attendance, we have sought to generate several estimates of our own by applying some correction factors and obtaining some data on which to base alternative estimates. We can resolve partially the problem of separating attendance at professional theatre from attendance at amateur theatre by drawing on the results of the Ford Foundation survey. This survey asked separate questions about professional and amateur performances. In the twelve cities surveyed, the average percentage who had attended at least one professional play in the past twelve months was 16 percent. We know from the 1973 national survey that attendance in cities and suburbs is approximately 1.4 times higher than in the nation at large. Therefore, we divide 16 percent by 1.4, yielding an estimate of approximately 11 percent of the adult population of the nation who may have attended a professional play in the previous twelve months. In absolute numbers, this percentage means that approximately 16 million persons may have attended professional plays in 1973. And if the earlier ratio of total tickets to persons attending is the same for professional plays as for all performances, we arrive at an estimate from this procedure of approximately 54.4 million tickets.

As a check on this figure, we derived another method of estimating total theatre attendance by examining theatre receipts. In 1972, the U.S. Census of Business reported that receipts for "producers of legitimate theatre" during 1971 had totaled $277.2

million. We know that $52.3 million of these receipts was for Broadway shows where the average ticket price in February of 1971 was $7.81, yielding an estimated annual Broadway attendance of 6.7 million. We also know that $49.7 million was for Road where the average ticket price in February of 1971 was $5.96, yielding an estimated annual Road attendance of 8.3 million. Judging from current attendance ratios, the remaining $175.2 million was probably at least half attributable to the larger resident and stock companies where ticket prices probably averaged at least $5.00, the other half being attributable to smaller companies where ticket prices probably averaged no more than $3.00, yielding a combined additional attendance of 46.7 million. The overall estimated attendance by this method, therefore, sums to 61.7 million.

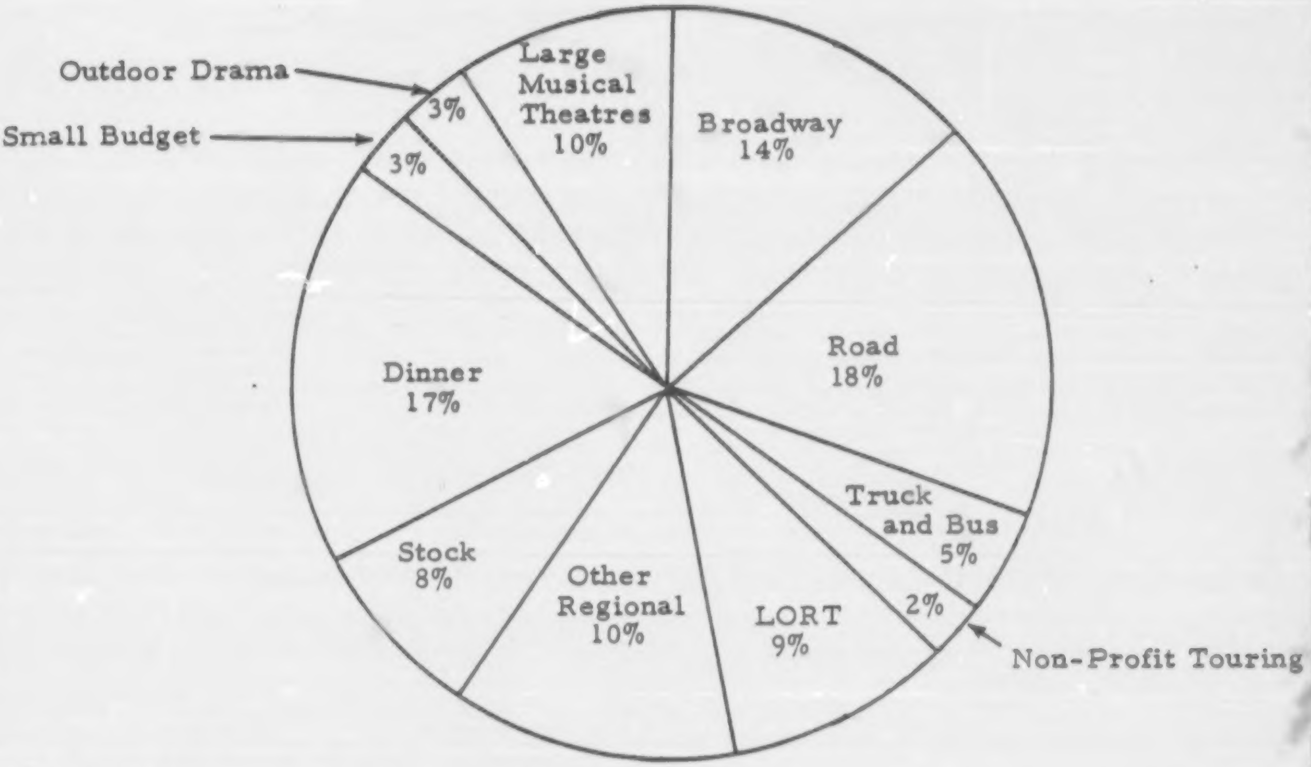
By both of these methods of estimation, therefore, it appears that total attendance at professional theatres in the United States in 1972 ranged from approximately 55 million to 65 million tickets, representing approximately 16 million to 20 million persons. As we shall see shortly, most evidence on trends in attendance indicates that, although attendance declined in the mid-1970's, it is currently back to approximately the same level as in the early 1970's. Thus, the best estimate of attendance at professional theatres during the 1976-1977 season is probably still between 55 million and 65 million. It is worth emphasizing that this is attendance only at professional theatres. Judging from the 1973 survey, probably at least this many tickets were also sold or given away to amateur performances, such as school or community plays.

2. Attendance by Theatre Type

Separate estimates of attendance at the various major types of theatre were also calculated for the 1976-1977 season. By this method of calculation, total attendance also appears to range from approximately 55 million to 65 million tickets. Figure IV-1 summarizes the proportional distribution of attendance among the major theatre types. The figure shows that:

- Broadway attendance for the 1976-77 season, according to *Variety*, totaled 8.8 million, representing 14 percent of all theatre attendance.
- Road (national touring companies only), as estimated from *Variety* reports of potential gross, actual gross, and seating capacity for ten randomly selected weeks during the 1976-77 season, totaled approximately 11.4 million tickets, representing 18 percent of all theatre attendance.
- Truck and Bus, from company itineraries, totaled 3.3 million tickets or 5 percent of all theatre attendance.
- Non-Profit Touring, from TCG Profiles, totaled 1.5 million or 2 percent of all theatre attendance.
- LORT or League of Resident Theatres, here defined at 65 theatres under LORT contract (according to the most recent LORT list) reporting to the TCG Fiscal Survey,

Figure IV-1
Attendance by Theatre Type
1976-77



Total = 65.5 million

Sources: Broadway, Variety; Road, calculated from Variety; LORT, TCG Fiscal Survey; Other Regional, TCG Fiscal Survey; Stock, calculated from Shull's Directory of Summer Theatres, National Directory for the Performing Arts, and Actor's Equity List; Dinner, calculated from Actor's Equity List and National Directory for the Performing Arts; Small-budget, calculated from NEA Supplementary Forms; Outdoor drama, Institute of Outdoor Drama.

reported a total of 6.0 million tickets, approximately 9 percent of all theatre attendance.

- *Other regional* theatres, here the 75 theatres not under LORT contract reporting in the TCG Fiscal Survey, and not counted elsewhere, reported 6.6 million tickets, or approximately 10 percent of the total national attendance.
- *Stock* attendance totaled approximately 4.9 million, 8 percent of all attendance, as estimated for 310 stock theatres listed in *Shull's Directory of Summer Theatres*, *National Directory for the Performing Arts*, and *Actor's Equity List* (estimated from average capacity, average number of performances, and estimated average percent capacity filled of 50 percent).
- *Dinner* attendance totaled approximately 11.1 million or 17 percent of all attendance (estimated for 128 theatres, based on average capacity, an average of 5 performances a week, and an estimated average capacity filled of 80 percent).
- *Small-budget* theatres (those under NEA guidelines) reported approximately 2.0 million tickets or 3 percent of total national attendance (estimated from attendance figures reported on NEA Supplementary Forms and adjusted according to reported number of performances, capacity, ticket prices, and earned income).
- *Outdoor drama* attendance totaled 1.7 million tickets or approximately 3 percent of all attendance (figures from Institute of Outdoor Drama).

- Large Musical Theatres represented approximately 6.6 million tickets or 10 percent of all attendance.

3. Other Characteristics by Theatre Type

For four major types of theatre--Broadway, Road, Regional, and Small-Budget--information was also available on average audience size, percent capacity filled, and average ticket price (see Figures IV-2, IV-3, and III-4). Average audience size for Broadway in 1976-77 was 746, for Road 1,050, for Regional 349, and for Small-Budget 91. Percent capacity filled ranged from 62.2 percent for Broadway to 75.0 percent for Road (both figures for average week in February), to 79.0 percent for Regional, and 68.1 percent for Small-Budget. Average ticket prices were $10.87 for Broadway and $8.82 for Road (average week in February), $5.50 for Regional, and $3.67 for Small-Budget.

4. Recent Trends

Estimates of trends in attendance, average audience size, percent capacity filled, and average ticket price were calculated for Broadway, Road, and the regional theatres for the past seven to ten seasons. The results are summarized in Figures IV-5 - IV-9.

Trends in attendance show that Broadway reached a high of nearly 11 million during the 1967-68 season (extrapolated from average weeks in February and corrected by current ratios of annual to February figures), after which it dropped steadily until the 1972-73 season.[1] Since 1974-75 Broadway attendance has risen, but is still not back to its level in the mid-sixties.

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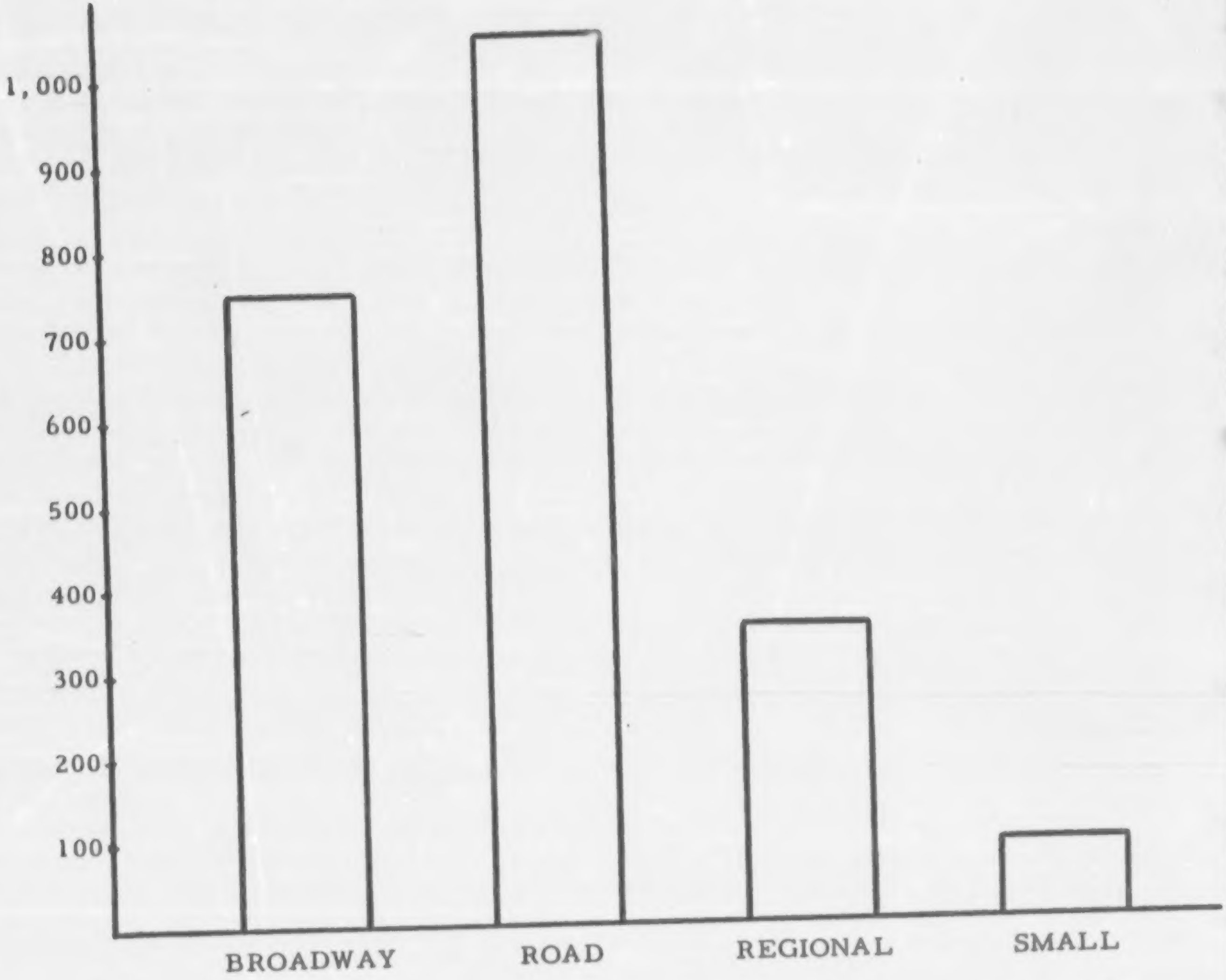
[1] Sources within the theatre industry have arrived at a somewhat lower figure for the 1967-68 season (9.5 million) using slightly different methods of estimation. There is agreement, however, that attendance declined from the mid-1960's through the early 1970's.

Figure IV-2

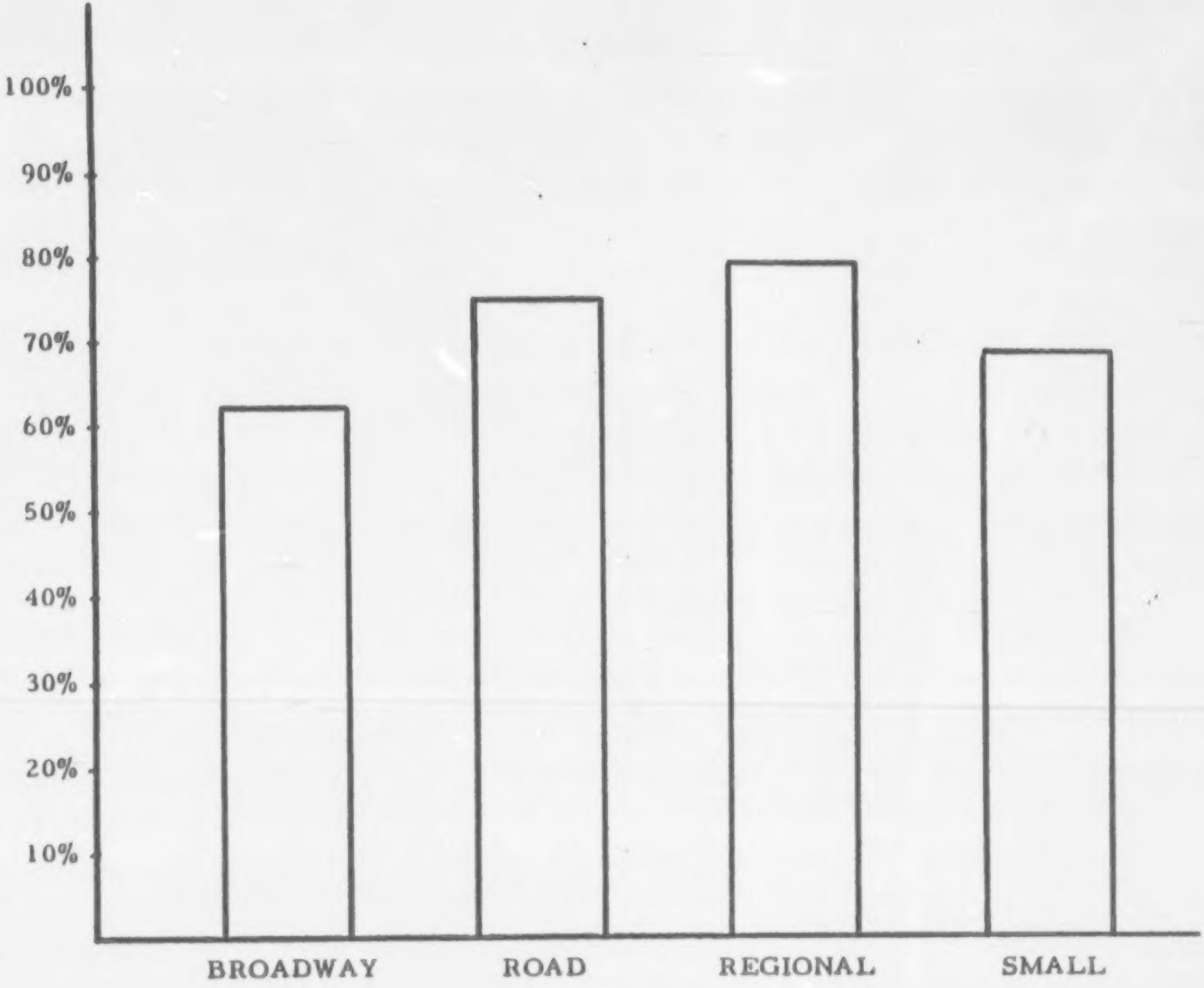
Average Audience Size, 1976-77



Sources: Broadway, Variety; Road, Variety; Regional, TCG Fiscal Survey; Small-Budget, NEA Supplementary Forms.

Figure IV-3

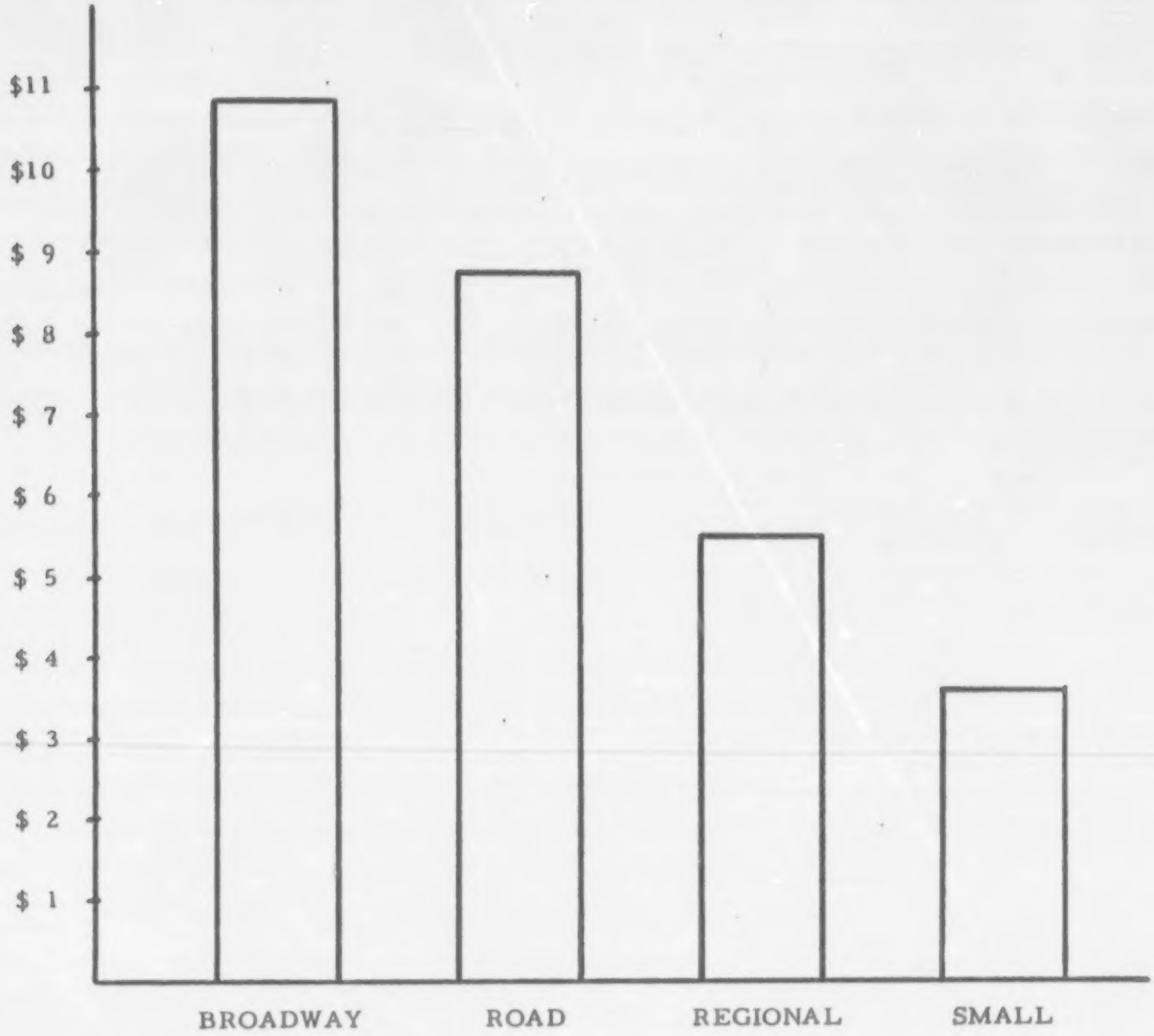
Percent Capacity Filled, 1976-77



Sources: Broadway, Variety; Road, Variety; Regional, TCG Fiscal Survey; Small-Budget, NEA Supplementary Forms.

Figure IV-4

Average Ticket Price, 1976-77



Sources: Broadway, Variety; Road, Variety; Regional, TCG Fiscal Survey; Small-Budget, NEA Supplementary Forms.

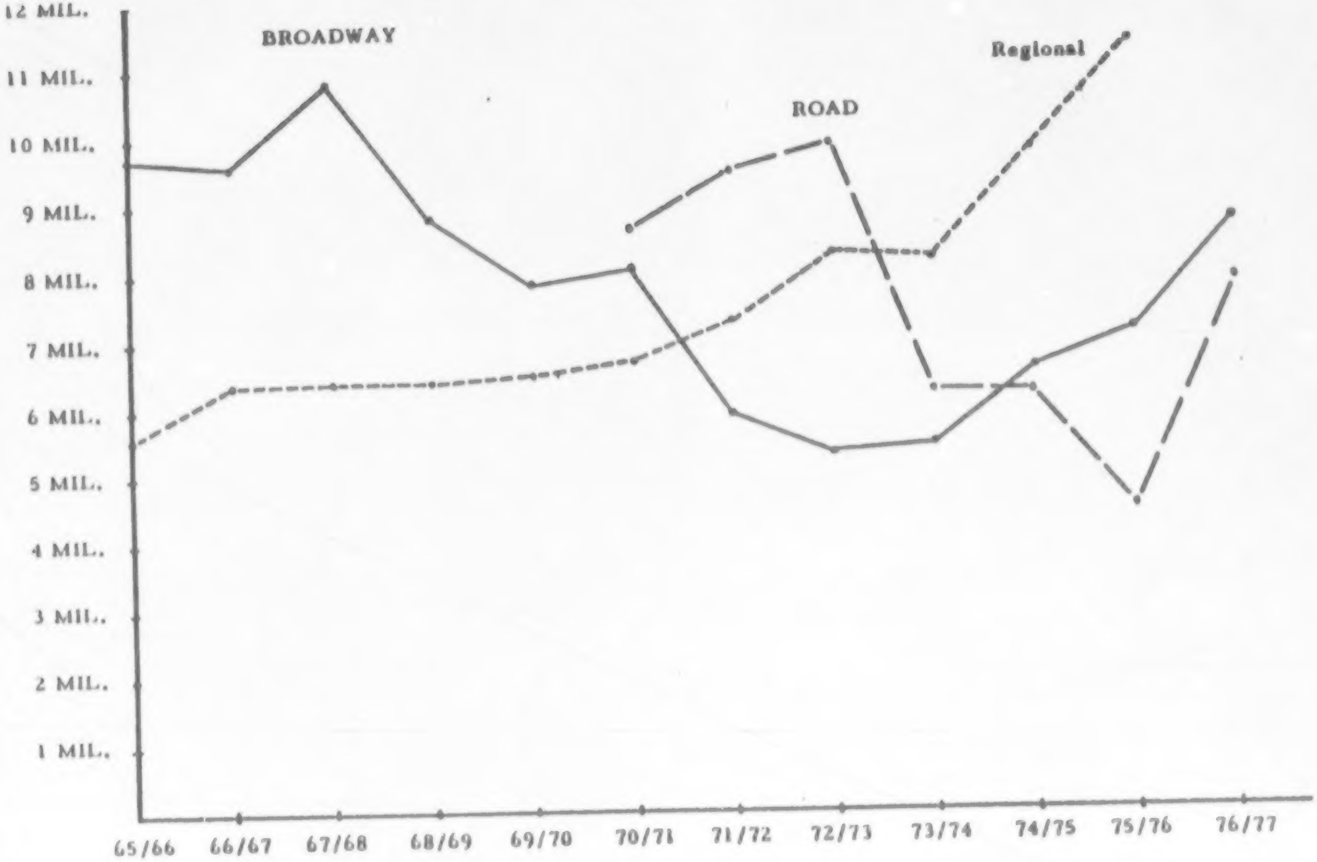
On the surface, these figures appear to indicate that the slump experienced in Broadway attendance during the early 1970's was temporary and is in the process of recovery. However, it is instructive to consider the longer range trends in Broadway attendance (see Figure IV-6). These figures indicate that the slump of the early 1970's saw attendance drop to levels lower than at any time since the Great Depression of the 1930's and, indeed, almost to the same level as in the 1930's. Furthermore, even after three years of increase, the 1976-77 weekly attendance figure remains lower than that for any year between 1943 and 1970.

Trends in attendance at Road (national training companies only) performances are available only since 1970 (see Figure IV-5 again). These figures seem to substantiate what some have suggested, namely that Road follows Broadway--with a lag of one or two seasons. For example, the slight increase in Broadway between 1969 and 1970 was reflected in an increase in Road between 1970 and 1972; the sharp decline in Broadway between 1972 and 1973; and the upturn in Broadway after 1974 was followed by an upturn in Road between 1975 and 1976. Like Broadway, Road has also failed to come back to its attendance levels of the late sixties.

Attendance at regional (LORT and "other" regional) theatres, in contrast to that at both Broadway and Road, has risen steadily over the past ten years. The figure for 1976, in fact, was about double that for 1966. In other words, while Broadway and Road have at minimum held their own, regional theatre attendance has grown dramatically. This is an important trend, one that would probably be even more pronounced if trends in

Figure IV-5

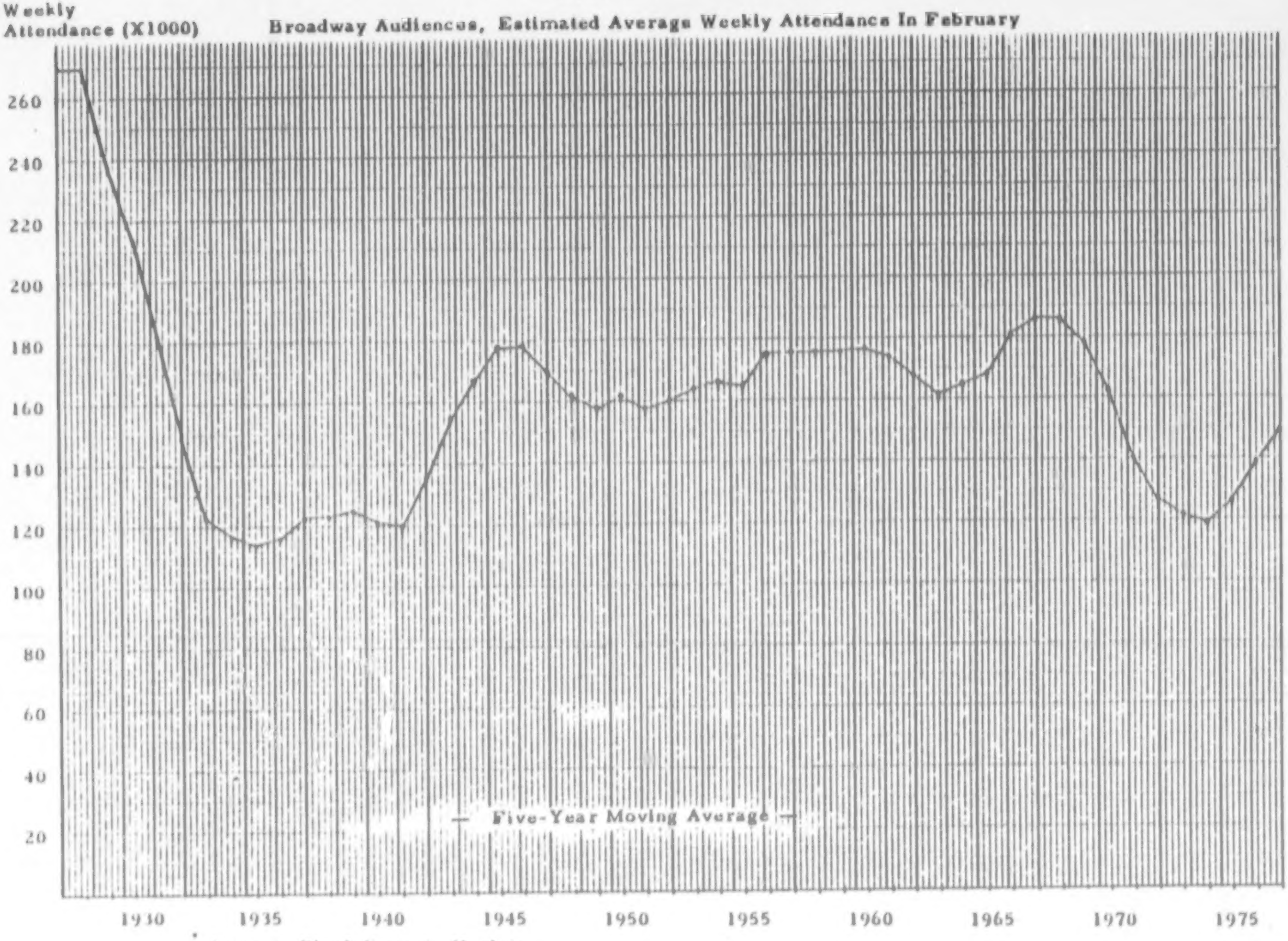
Attendance



Source: Variety, TCG Fiscal Survey

Figure IV-6

Broadway Audiences, Estimated Average Weekly Attendance In February



Source: Black Report, Variety

attendance at dinner and stock performances were available, since all indications are that these have grown too. For whatever reasons, it appears that a significant degree of "regionalization" has taken place in patterns of theatre attendance over the past decade.

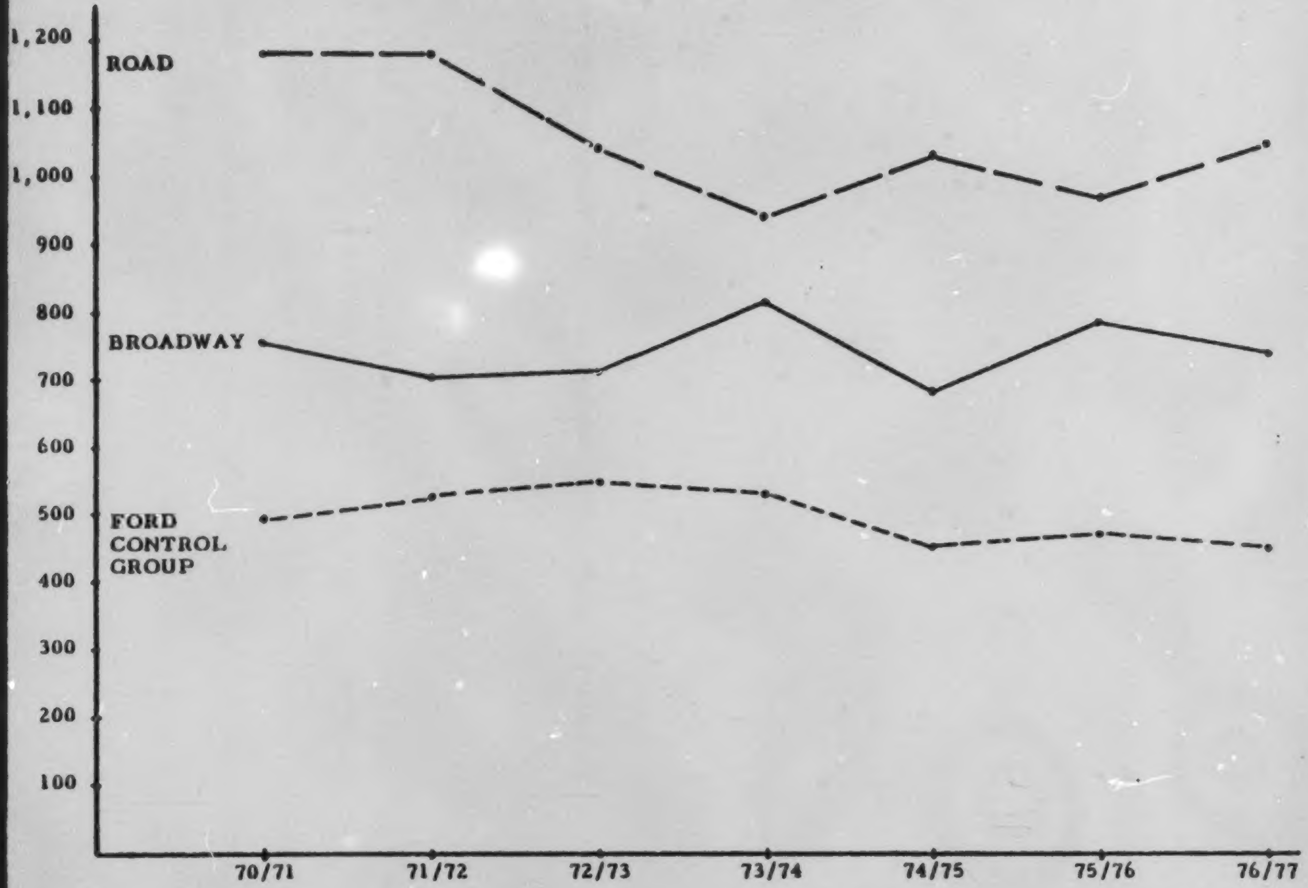
The information shown in Figures IV-7 and IV-8 on trends in average audience size and percent capacity filled, aids in interpreting the trends in attendance just examined. On both, Road again follows Broadway with a lag of about one season; e.g., the trend is up for Broadway in '73 and for Road in '74, down for Broadway in '74 and for Road in '75, etc. What is most important for the trends in both Broadway and Road, however, is that average audience size and percent capacity have been much more stable than overall attendance. The other trend shown in the Figures is for the Ford Control Group (Regional theatres). Again the striking trend is that there is no trend: average audience size and percent capacity filled have remained almost constant during the past seven seasons.

The final aspect of audience activity on which trend information is available is an estimate of average ticket price for Broadway, Road, and the Ford Control Group for the past seven seasons. As shown in Figure IV-9, ticket prices in all three have risen substantially--by about 20 percent for the Ford Control Group, about 40 percent for Broadway, and about 45 percent for Road.

These increases necessarily raise the question of what their effect has been on attendance. We shall consider the relation between price and demand in more detail later in the chapter, but it is evident

Figure IV-7

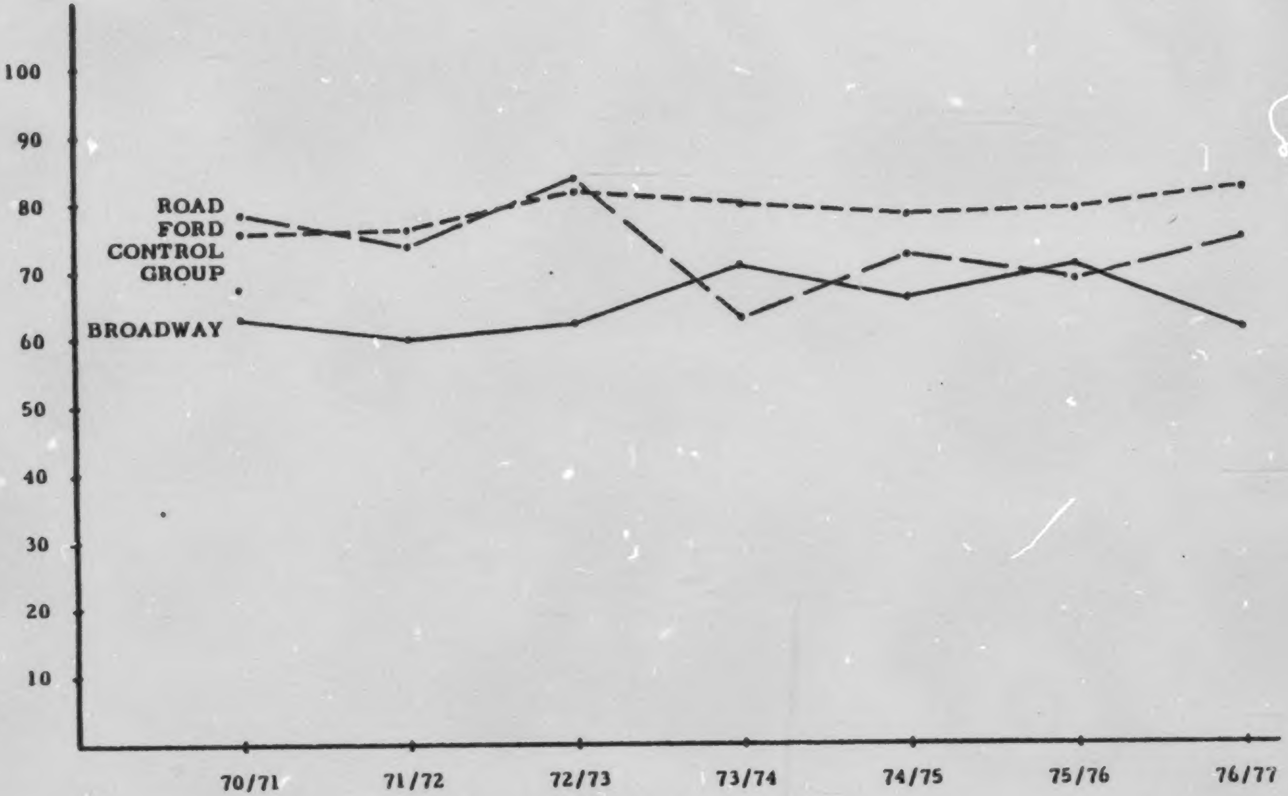
Average Audience Size



Source: Variety, TCG Fiscal Survey

Figure IV-8

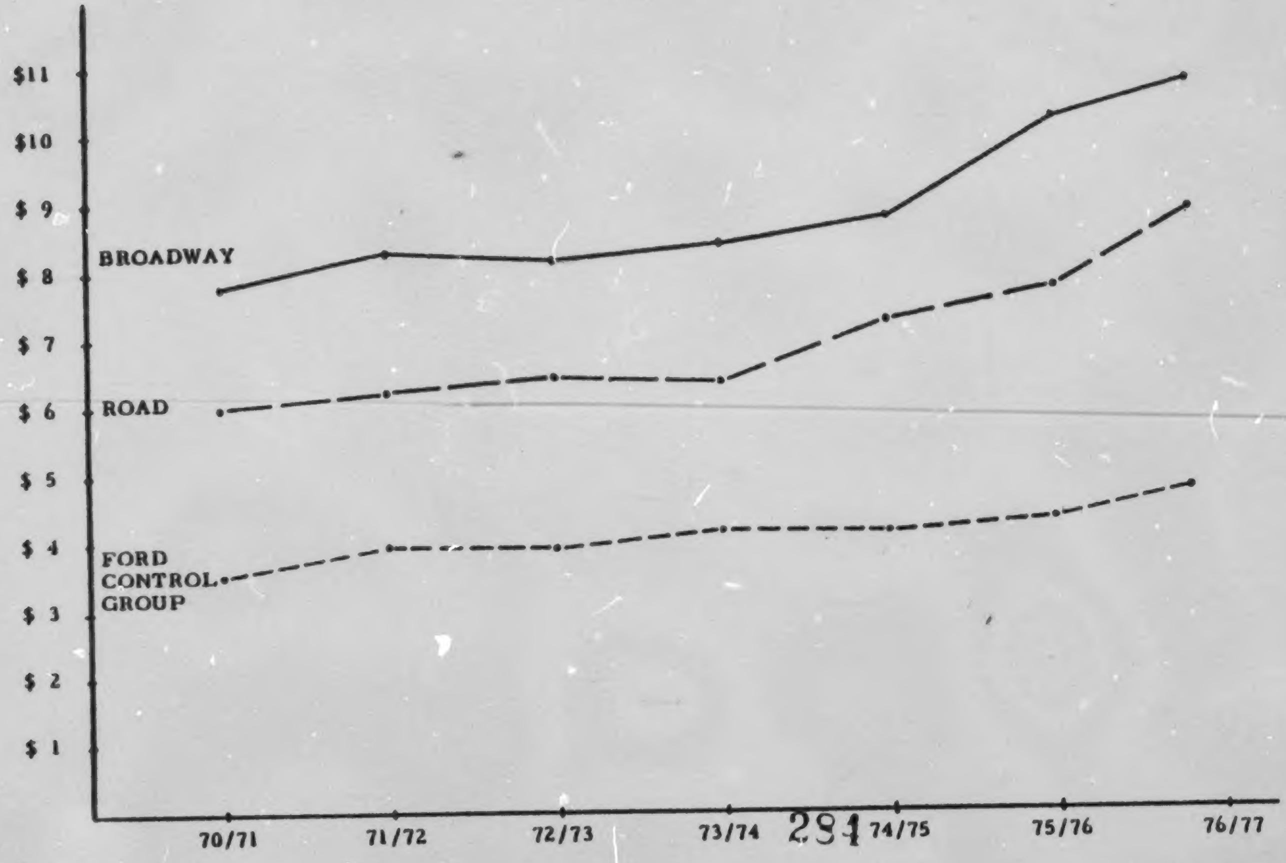
Percent Capacity Filled



Source: Variety, TCG Fiscal Survey

Figure IV-9

Average Ticket Price



Source: Variety, TCG Fiscal Survey

from the evidence just presented on trends in attendance that the increases in ticket price have not produced a corresponding decrease in attendance. Nor does there seem to be any clear connection between year-to-year changes in ticket price and year-to-year change in attendance; for example, Broadway prices increased the most between 1974 and 1975, but attendance also increased that year, as it did the next. What cannot be concluded from these data alone, of course, is whether or not the increases in ticket price may have dampened potential attendance; i.e., whether or not attendance may have been higher had ticket prices not been raised. It will be useful to discuss the other information collected on audience characteristics before attempting to draw any general conclusions.

5. Information, Tickets, and Travel

Before we examine social characteristics of audiences in the next section, some information also needs to be presented on the ways in which people learn about theatre performances, how they obtain their tickets, and how they get to and from the theatre. These represent potential areas in which the theatre might be able to better meet the needs of its public and, in any case, are important considerations for projecting the character and scope of the theatre in the future.

The main sources of information that people rely on to tell them what theatre performances are available and when they are being given are friends and relatives, newspaper advertisements, and mail order notices (see Table IV-2). By comparison, newspaper articles, leaflets or posters, reviews, radio, and television are mentioned much less often as sources of information. Whether this is because the theatre has not made use of these media for advertising purposes, or whether they are simply less effective has not been established. In the case of radio and television, however, the most likely explanation is that theatres have not yet come to utilize these media as extensively for advertising purposes as they might.

Table IV-2

Sources of Information About Performances

	Friends or Relatives	Newspaper Ads	Mail Order Notices	Newspaper Stores	Critics' Reviews	Radio or TV
Broadway 1964*	28%	23%	2%	29%	-	7%
Off-Broadway 1964*	24%	30%	9%	23%	-	3%
Regional NYC, 1973	42%	38%	17%	21%	19%	4%
New York State, 1973	48%	32%	24%	18%	10%	8%
Washington, 1975	33%	28%	30%	17%	10%	13%

*Standardized to 100 percent.

Sources: Baumol and Bowen; Arts and the People; A Study of Washingtonians' Attendance.

These findings pertain uniformly to all the kinds of theatre on which information is available. The major exception is that newspaper stories seem to play a larger role for Broadway and Off-Broadway than for Regional theatre, while mail order notices play a larger role for Regional theatre than for Broadway and Off-Broadway.

Lower educated and less affluent persons are more likely to rely on information from friends, while better educated and more affluent persons rely more heavily on newspapers and mail order notices. These differences correspond with the findings of research on differences in communication and reading habits between social classes more generally.

Not surprisingly, mail order notices are much more important as sources of information for subscribers than for nonsubscribers (e.g., 53 percent and 9 percent, respectively, listed this as an important source of information among theatre-goers in Washington state).

The manner in which audiences obtain their tickets tends to differ widely by location and type of theatre. In the studies available, subscription as a percent of total attendance varies, for example, from 82 percent for the Indiana Repertory Theatre, to 49 percent in Washington state and 46 percent among the 27 Regional theatres in the Ford Foundation study, to 23 percent for the Guthrie theatre in Minneapolis, 21 percent in New York state outside of New York City, and 16 percent in New York City. Box office sales also vary widely, from 58 percent for Broadway tickets, to 46 percent among Regional theatres in New York state, to 25 percent for the Guthrie Theatre, to 19 percent in Washington state. And mail order tickets vary from 35 percent in Washington state, to 11 percent for the Guthrie Theatre, to 9 percent on Broadway. Unfortunately, there has been no research to determine audience preferences regarding these alternative means of obtaining tickets.

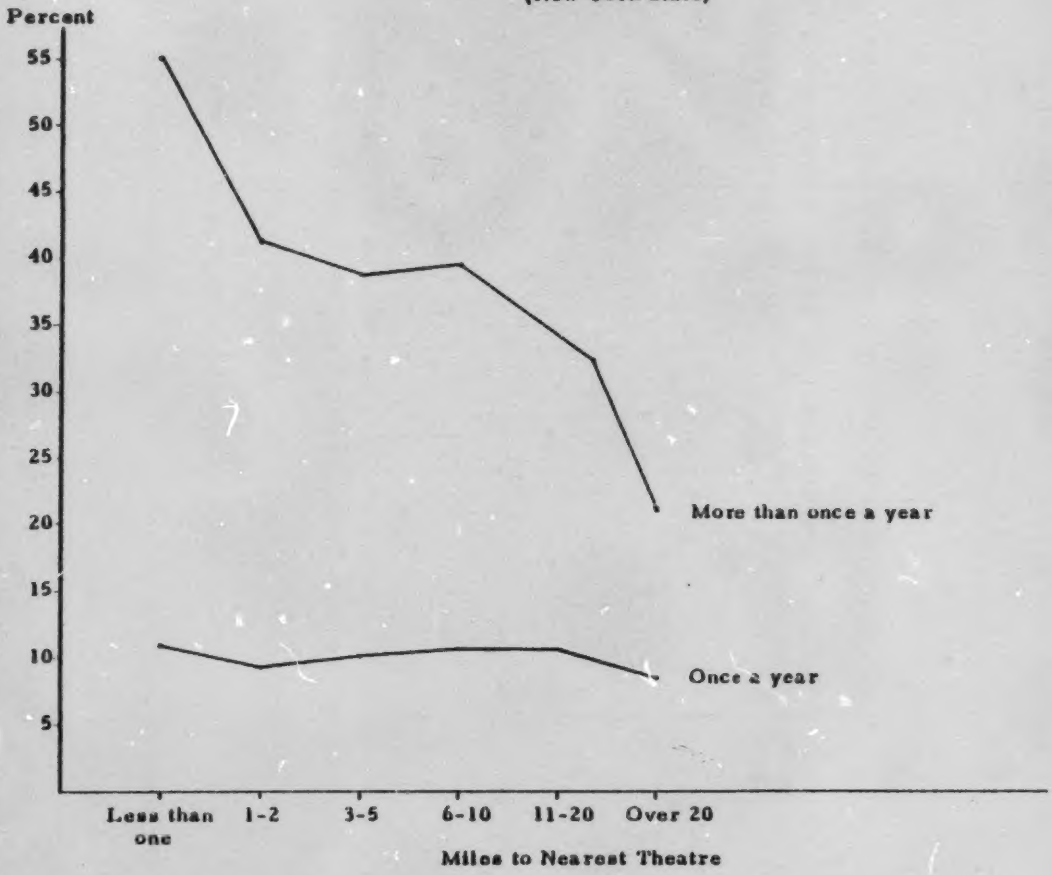
Perhaps the most notable innovations in ticketing in recent years have been the TKTS program in New York City which markets unsold tickets at discount prices and the increasing use of Ticketron, credit card, and telephone orders. In Washington state, for example, one ticket in nine is currently sold to telephone orders. For the Guthrie Theatre, on which there is information covering a ten-year period, telephone orders have increased from 0 percent in 1963 to 22 percent of all tickets sold in 1973, while mail orders have declined from 53 percent to 11 percent.

With regard to travel to and from the theatre, we have been able to piece together a variety of available information about where people live, how they get to the theatre, and how long it takes them to get there, all of which indicates that most people are not willing to travel long distances to attend the theatre. In Washington state, for example, 83 percent of the theatre audiences studied there said they lived in the "vicinity" of the theatre they were attending when surveyed, the median travel time to the theatre was 20.5 minutes, 77 percent said they'd traveled less than 30 minutes to get to the theatre, and the median number of miles to the theatre was only 9.5 miles. In New York state, travel takes only somewhat longer--40 minutes on the average, with half saying they've traveled less than half an hour, and four in five saying they've traveled less than an hour.

There are exceptions to this rule. For example, the Guthrie Theatre in Minneapolis gets only two-thirds of its audience from the Minneapolis-St. Paul area itself. The remainder is divided almost

Figure IV-10

Attendance by Distance to Theatre
(New York State)



Source: Arts and the People

evenly between Minnesotans from outside the Twin Cities area and people from outside Minnesota. Another exception is the Institute of Outdoor Drama, which gets only a third of its audience from within 50 miles of their homes, the reason being that nearly half its audiences attend while on vacations or weekend trips. But these are special cases; most people go to theatres convenient to their homes.

The effects of distance on attendance are especially apparent when theatre audiences are divided into casual and frequent attenders. As the figures in Figure IV-10 from New York state show, the percentages of people who attend the theatre once a year are almost the same among people who live close to the theatre and among people who live farther away from the theatre, up to approximately 20 miles, after which the proportion drops off. But the proportions who attend more than once a year drop off with each succeeding increase in distance from the theatre, from 55 percent among those living less than a mile from the theatre, to 38 percent among those living 3 miles from the theatre, to 23 percent among those living more than 20 miles away.

The other piece of evidence that a number of studies have obtained regarding travel to the theatre concerns the mode of transportation used. Suffice it to say that the mode varies greatly depending on location. For example, 92 percent travel to the theatre by automobile in Washington State, compared with only 48 percent who travel to Broadway by automobile. Thus, in metropolitan areas such as New York City, the availability of public transportation is crucial to the theatre. Among Broadway audiences, for example, 17 percent said they'd travel home by subway, 14 percent by bus, 9 percent by taxi, 7 percent by train, and many probably used more than one of these means of transportation.

D. Social Characteristics of Theatre Audiences

This section summarizes what has been found from audience studies about the social characteristics of theatre audiences. It includes information on sex, age composition, educational levels, incomes, occupations, regional distributions, places of residence, early socialization, and cultural characteristics of theatre audiences, and compares these characteristics with those of people who do not attend the theatre. This information affords a description of the kinds of people currently being served by the theatre. It also affords the basis for inferences about why some people attend the theatre while others do not. Of special interest, where available, are over-time comparisons which indicate whether or not the composition of theatre audiences has been changing.

1. Sex Differences

As shown in Table IV-3, theatre audiences are comprised almost equally of men and women.[1] However, there are some interesting variations among different types of theatre. Broadway audiences tend to attract slightly greater numbers of men than women. This ratio has remained constant over the past fifteen years. But nationally, where theatre attendance includes attendance at live theatre of any kind, including both professional and amateur, and among Regional theatre audiences, women outnumber men. In Washington State, women greatly outnumber men. No research has been done to determine why these patterns exist, but there seems to be some indication that men's outdoor hobbies interfere with theatre attendance, especially in the West, whereas Broadway attracts slightly greater proportions of men than women because of their proximity to the New York business district. We shall

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[1] DiMaggio, Useem, & Brown, op. cit., reports an average of 42.5 percent male in the studies they reviewed. Their figure may be somewhat low in comparison with the national average due to their procedure of averaging the results of studies, many of which were based on local or otherwise restricted samples.

Table IV-3

Sex Composition of Theatre Audiences

	Male	Female
Frequent theatre-goers, National sample, 1973	47	53
Broadway		
1976	52	48
1961	52	48
Regional theatre		
NY State, 1973	41	59
NYC, 1973	45	55
Washington, 1975	38	62

Sources: Americans and the Arts; Playbill; Baumol and Bowen; Arts and The People; A Study of Washiingtonians' Attendance.

consider below some additional evidence on the impact that greater numbers of women in the professions may be having on theatre attendance.

2. Age Composition

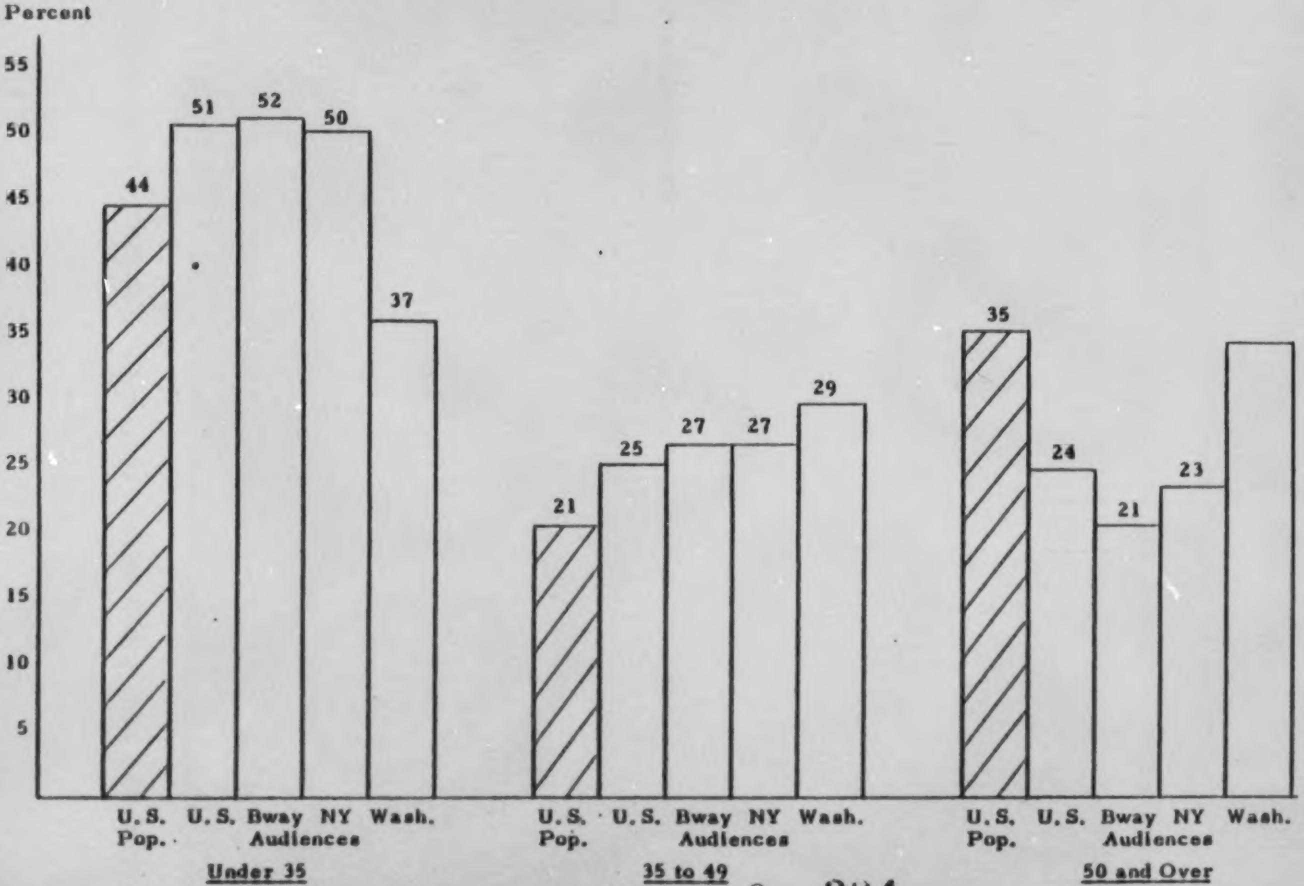
Studies of almost all types of theatre indicate that the young tend to be overrepresented in theatre audiences while the old tend to be underrepresented (see Table IV-11). For instance, 44 percent of the U.S. population over age 16 is between the ages of 16 and 35, but in most theatre audiences the majority falls within this category. In contrast, about a third of the adult population in the U.S. is over age 50, yet only about a quarter of most theatre audiences is over age 50. Another indication of the bias in theatre audiences toward the young is that the median age of theatre audiences is typically from 3 to 5 years younger than that of the general population. The only exception to this pattern was in the Washington State study where theatre audiences tended to be somewhat older than elsewhere. It should also be noted that theatre audiences seem to have become younger in the past ten or fifteen years since audience studies were first conducted. For instance, the median age of Broadway audiences has declined from 40 years in 1961 to 34 years in 1976. The median age of Off-Broadway audiences declined from 39 years in 1964 to 32 years in 1969. And the median age of audiences at the Guthrie Theatre in Minneapolis declined from 36 years in 1963 to 31 years in 1973 (although this was partly a function of greater numbers of matinees).

3. Education

Theatre audiences consist overwhelmingly of the better educated. Almost two-thirds of the regular theatre-goers in the United States, for

Figure IV-11

Age Composition of Theatre Audiences and U.S. Population

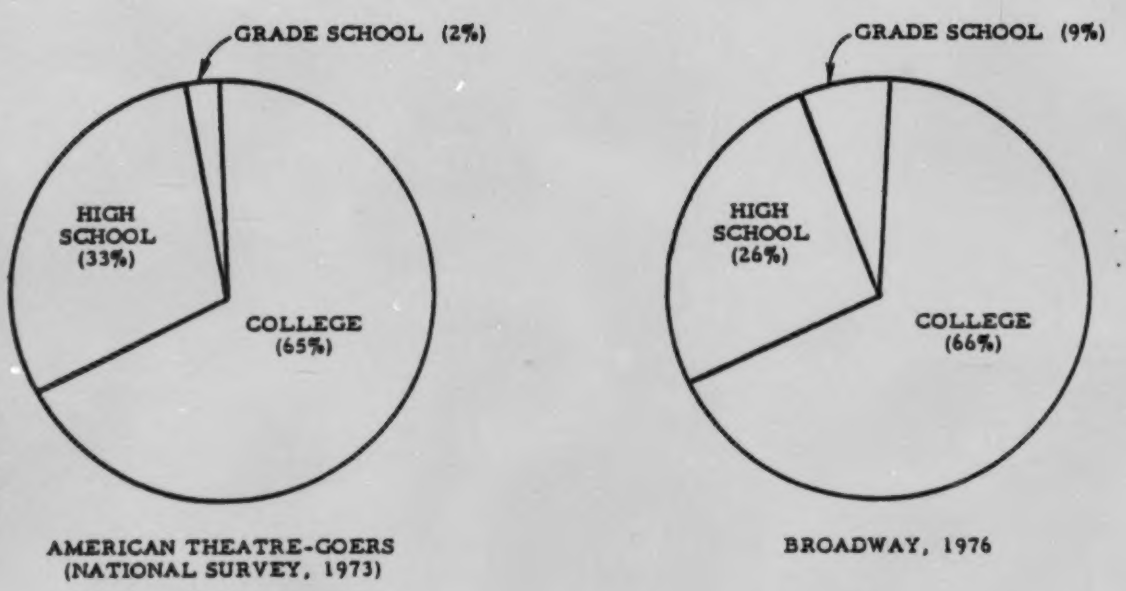


Sources: Americans and the Arts, Playbill, Arts and the People, A Study of Washingtonians' Attendance.

example, have graduated from college (see Figure IV-12). In their study of 27 theatre surveys, DiMaggio, Useem, and Brown found that an average of 58 percent were college graduates.[1] By comparison, only 12 percent of the general adult population of the United States has graduated from college. At the other extreme, only 2 percent of the regular theatre-goers

Figure IV-12

Education Levels



Sources: Playbill, Americans and the Arts.

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[1] Op. cit., p. 39; the authors suggest that this figure is somewhat low due to the presence of a number of outdoor theatre audiences with lower educational levels.

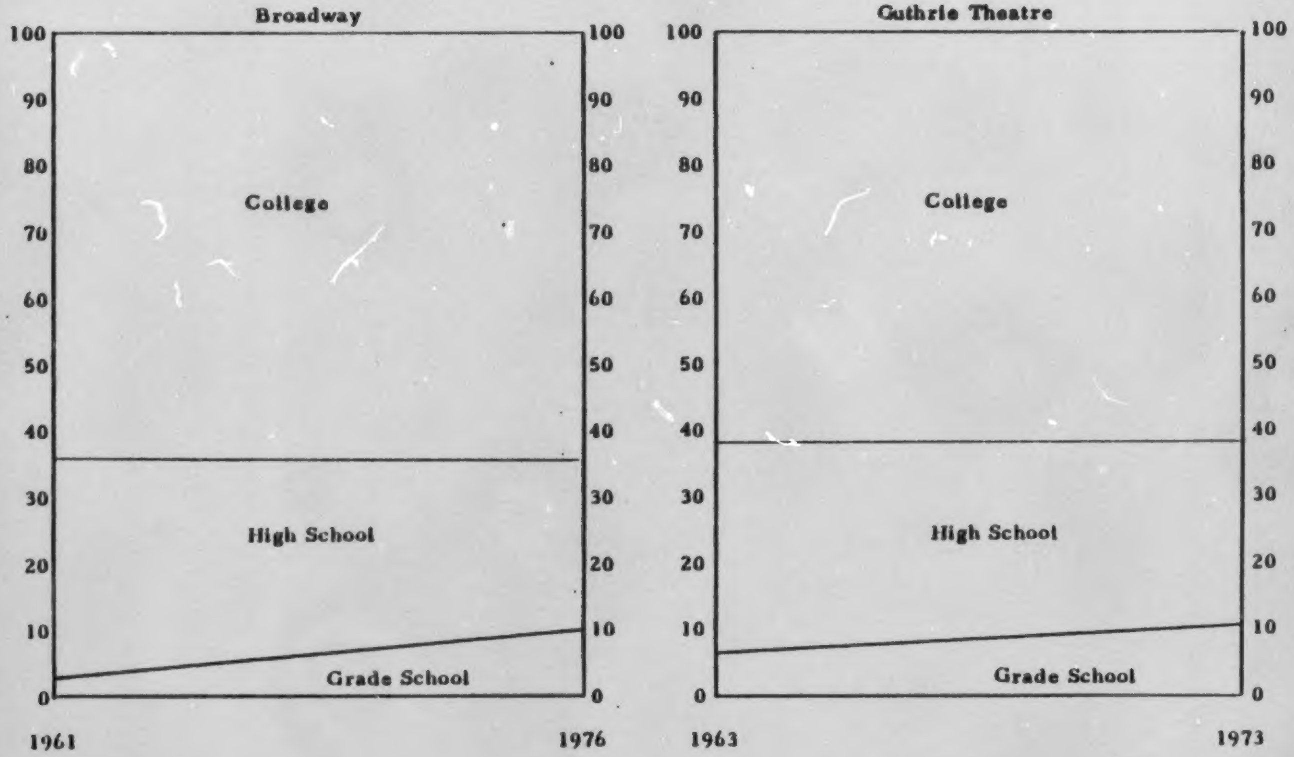
have only grade school educations, whereas this groups makes up 38 percent of the U.S. adult population. This pattern seems to hold for all the different kinds of theatre on which we have information. There are, of course, theatres that direct their performances especially to the less well educated. But these audiences make up only a small percentage of the larger theatre-going public. It should also be noted from the longitudinal comparisons provided for the Guthrie Theatre and for Broadway (see Figure IV-13) that there appears to be no strong trend away from this pattern, except that there is some evidence of slightly greater proportions consisting of the grade school educated and slightly smaller proportions consisting of the high school educated. The absence of trends in the educational composition of theatre audiences is puzzling in view of the fact that there have been rising levels of education in the larger population. This discrepancy, however, may be an artifact of the younger age of current theatre audiences (more persons who have not yet finished their education), or it may be due to differences in the age groups that were included or excluded in the various studies.

4. Income

As might be expected from the evidence on educational levels, the incomes of theatre audiences are also disproportionately high. The effects of inflation prevent making estimates of the proportions of theatre audiences falling into specific income brackets, since these brackets are not comparable from year to year. However, there is clear evidence that the higher the income level, the greater is the proportion of persons who attend the theatre. For instance, 22 percent of a national sample who had family incomes of $15,000 and over in 1972

Figure IV-13

Trends in Educational Composition



Sources: Playbill; Baumol and Bowen; Guthrie Theatre Staff, A Report and Analysis of the Guthrie Theatre, 1974.

attended the theatre frequently. In comparison, only 11 percent of those with incomes between $10,000 and $15,000 attended frequently, and only 6 percent of those with incomes below $10,000 attended frequently (see Figure IV-14).

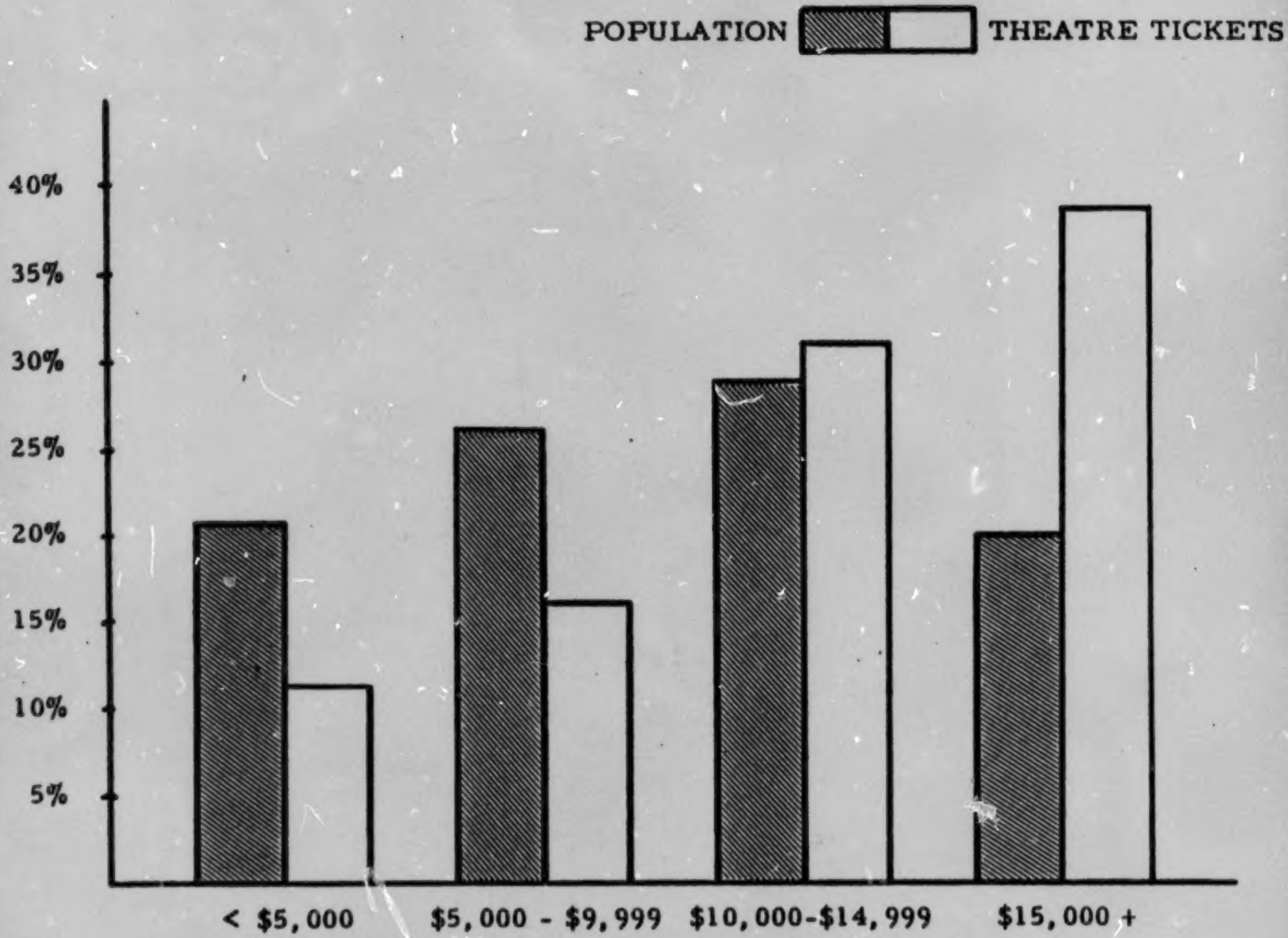
Higher incomes and higher education levels go hand in hand, of course. The question that needs to be addressed, therefore, is which influences theatre attendance the most--income or education? Do people go to the theatre more because they can afford to go or because they have been conditioned to appreciate the arts through higher education? Research has not provided a definitive answer to this question, but an important clue is available from the Ford Foundation study of theatre attendance in twelve metropolitan areas. When the effects of both income and education on theatre attendance were examined simultaneously, it was found that education had approximately twice the effect of income (see Table IV-4). Within each level of education, differences in income produced differences in theatre attendance of approximately ten percentage points. But within each level of income, differences in education produced differences in theatre attendance of approximately twenty to twenty-five percentage points. Overall, it appears that education is one of the most important social factors influencing theatre attendance. We shall discover some of the reasons why later in the chapter.

5. Occupation

Like education and incomes, the occupations of theatre audiences are also from the upper end of the continuum. Among theatre-goers in the labor force, professional, executive, and managerial occupations

Figure IV - 14

Theatre Tickets by Income Groups



Source: Calculated from Americans and the Arts, p. 64.

Table IV-4

Attendance by Education and Income
(Twelve Cities, Age 20 and Over Only)

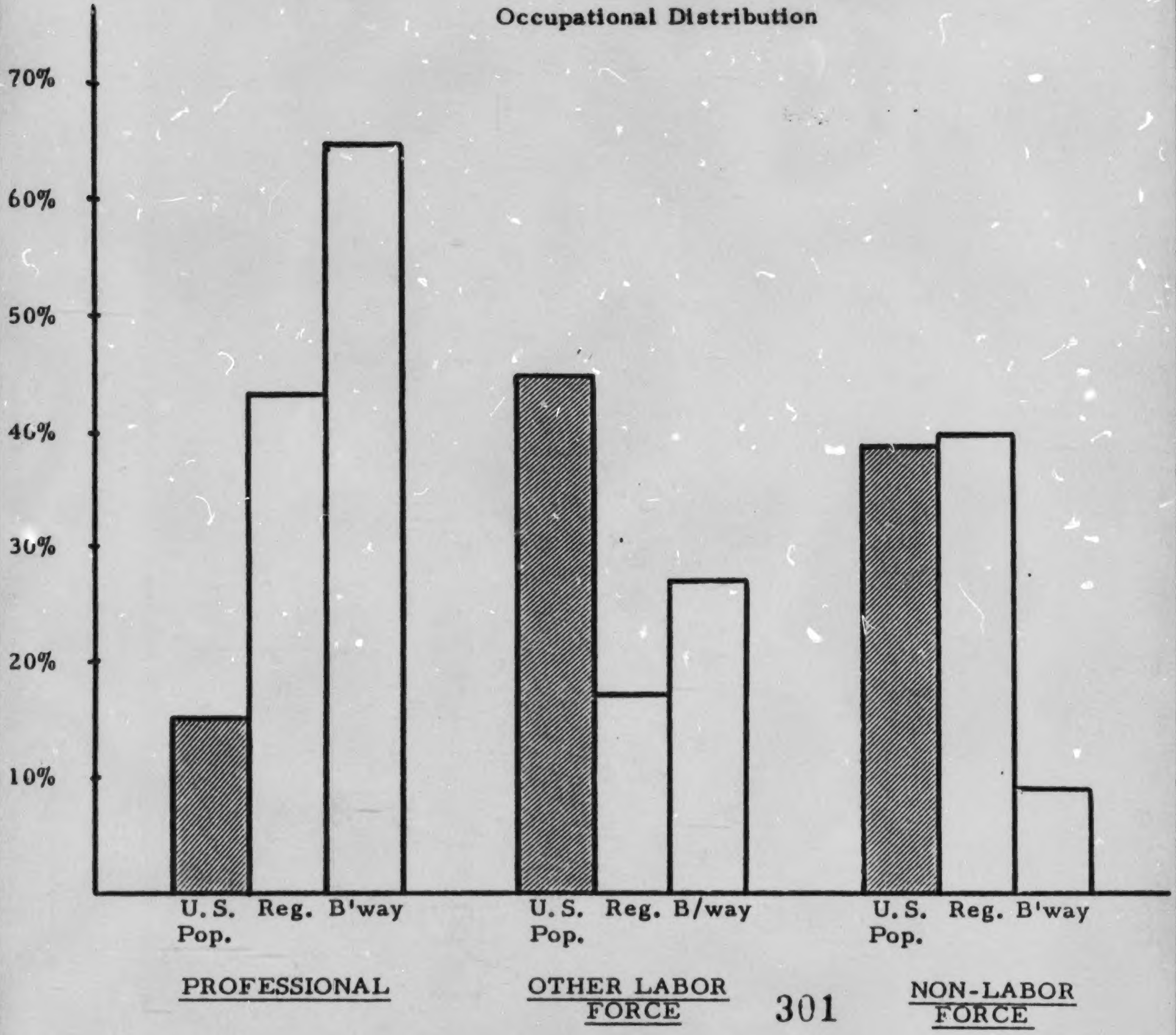
Income	Percent having attended during past 12 months among those whose education was		
	College Degree	Less than College Degree	% Diff
$15,000 or more	43%	21%	22
Less than $15,000	35%	10%	25
% Diff.	8	11	

Source: Ford Foundation, The Finances of the Performing Arts, II, p. 14

outnumber other occupations at a ratio of better than two to one. DiMaggio, Useem, and Brown, for example, have concluded from their examination of theatre studies that close to 70 percent of theatre-goers are in professional and managerial occupations while only 3 percent are blue-collar workers. These patterns are generally reflected in all the major theatre types. For example, Broadway audiences in 1976 consisted of almost two-thirds of people in professional, executive, and managerial occupations while only about one-quarter of these audiences were from other occupations. Regional theatre audiences seem to consist of smaller proportions who are in the labor force at all, but among those in the labor force, usually at least two-thirds are in professional, executive, and managerial occupations. This is despite the fact that only about a fourth of the overall labor force in the United States is in

Figure IV-15

Occupational Distribution



Sources: Broadway, Playbill; Regional, Arts and the People.

these occupations. As far as people not in the labor force are concerned, the largest categories of theatre-goers appear to be housewives and students. At Regional theatres, between 10 and 20 percent of the audiences are housewives. By comparison, the latest study of Broadway audiences shows that only 2 percent are housewives, a significantly smaller proportion than in 1964. It is not clear, however, whether this reflects real changes in attendance patterns or whether it is an artifact of differences in the studies' methods.[1/] Students also comprise between 10 and 20 percent of Regional theatre audiences, but make up a somewhat smaller proportion of the Broadway audience, undoubtedly because of its greater cost. Retired persons appear to comprise only between 5 and 10 percent of theatre audiences, a proportion consistent with our earlier findings about the underrepresentation of older people among theatre-goers.

Given the preponderance of professional, executive, and managerial occupations among theatre attenders, it is unfortunate that evidence has not been obtained on the specific fields that these people are in. In the absence of such evidence, it is perhaps instructive to consider briefly the results of a national study of graduate students that did examine theatre attendance by field of specialization (see Table IV-5). Not surprisingly, graduate students in the arts and humanities were the most likely to have attended the theatre more than once during the past year (an overwhelming 80 percent had attended more than once). Next highest were the social sciences and law, then education and business. The

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1/ The Broadway data was apparently provided by heads of households.

smallest proportion were among graduate students in the health fields, physical sciences, biosciences, and engineering. In short, theatre attendance declines as one moves from the more humanistic disciplines to the more scientific disciplines.

Table IV-5

Attendance by Occupational Field
(National Sample of Graduate Students)

Major Field	Percent attending plays more than once a year
Arts and humanities	80
Social sciences	74
Law	74
Education	70
Business	67
Health fields	62
Math and physical sciences	60
Engineering	58
Biosciences	56

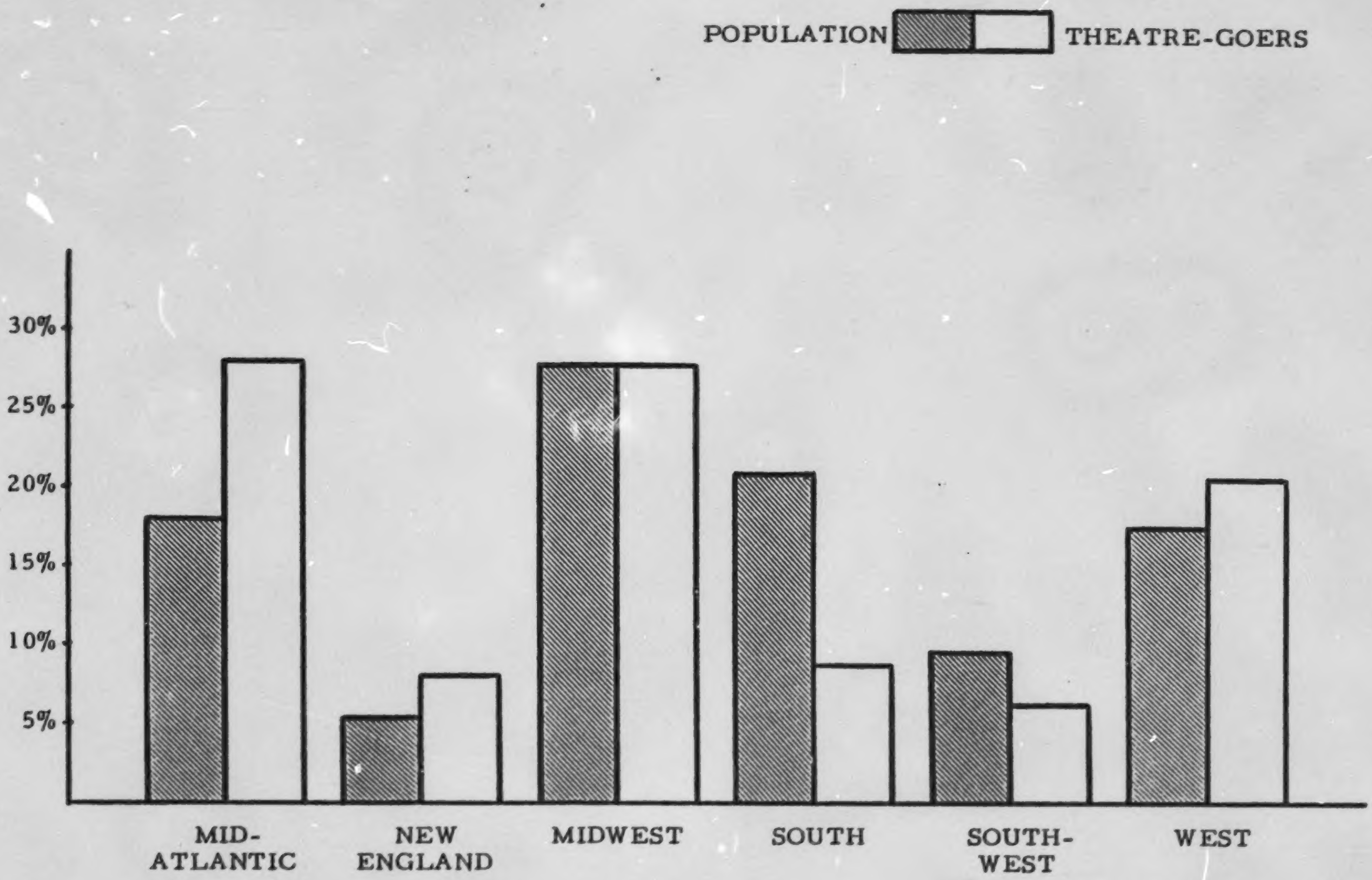
Source: Jack Morrison, The Rise of the Arts on the American Campus, pp. 198-99.

6. Region

Theatre attendance in the United States varies considerably from one part of the country to the next. In 1973, according to a national study, 11 percent of the adult population had attended the theatre four or more times during the previous twelve months. By region, the highest proportion was 17 percent in the mid-Atlantic states, which of course includes New York City (see Figure IV-16). The next highest proportion

Figure IV-16

Regional Distribution of Attendance



Source: Americans and the Arts

was 15 percent in the Northeast or New England states. The West and Midwest, ranked in the middle, with 13 percent and 11 percent respectively. The lowest percentages were in the Southwest (7 percent) and in the South (4 percent). In light of recent population shifts toward the South and Southwest, these patterns may have important implications for the future of the theatre.

7. Place of Residence

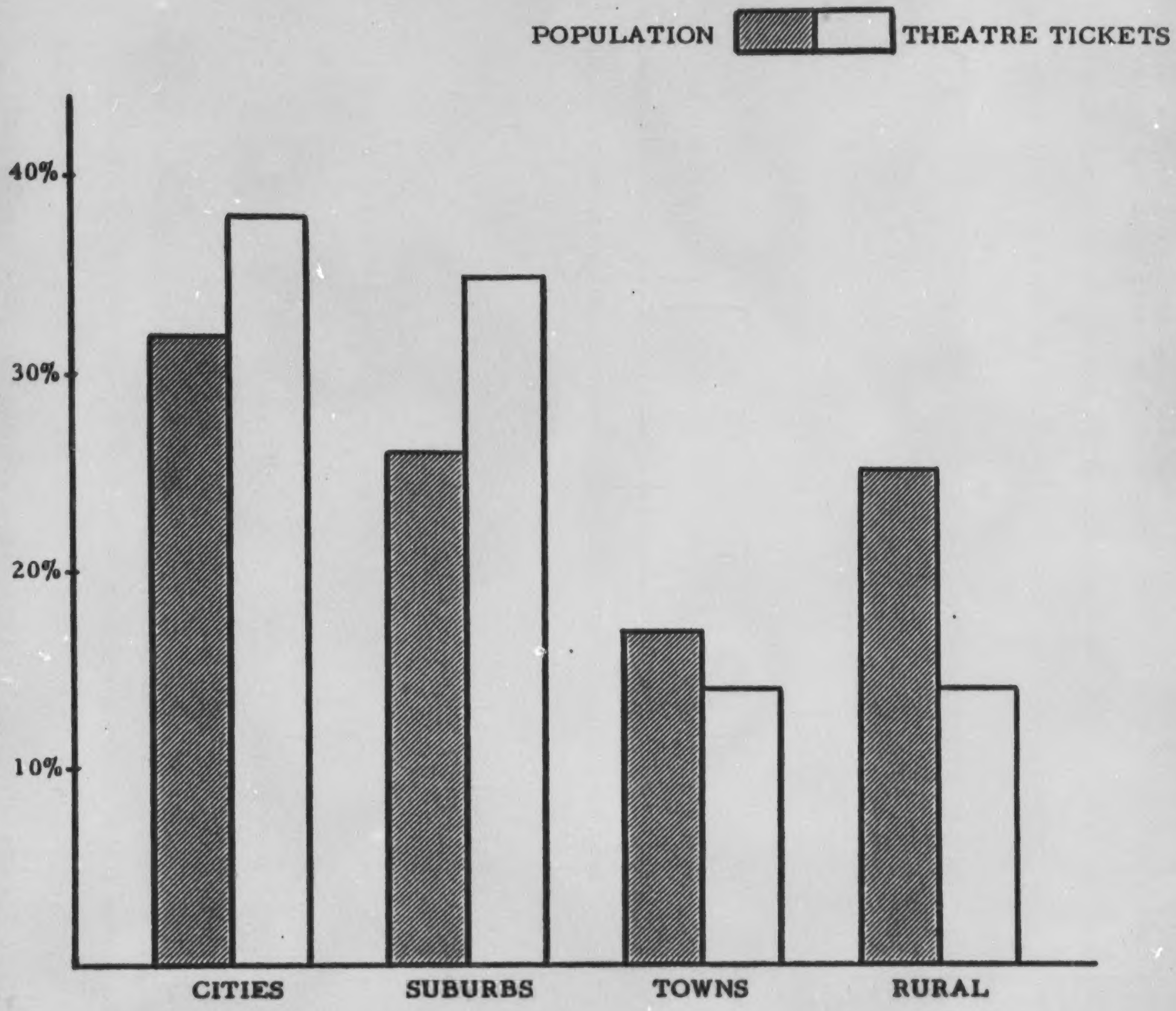
As shown in Figure IV- 17, where a person lives in relation to cities also has an important effect upon theatre attendance. The largest percentages of frequent theatre goers are among dwellers in cities and suburbs. The residents of small towns are only about half as likely to attend the theatre as are the residents of cities and suburbs. And residents of rural areas are only a fourth as likely to attend the theatre as residents of suburbs.

8. Metropolitan Area

Apart from other geographical differences, theatre attendance also seems to vary significantly from one metropolitan area to another. This variation is evident in the twelve cities surveyed in the Ford Foundation study (see Table IV-6). As might be expected, New York residents are most likely to have attended the theatre: one in four claims to have attended a live professional play in the past twelve months. Following New York, in order of attendance at professional plays, are: Minneapolis, Chicago, Washington, San Francisco, Los Angeles, Seattle, Boston, Cincinnati, Philadelphia, Atlanta, and Houston. What is interesting about

Figure IV-17

Place of Residence



Source: Americans and the Arts, p. 64

these differences is that they are almost entirely due to differences in the proportions who report having gone more than once. The proportion reporting having gone to the theatre only once during the past year is almost the same in all twelve cities -- approximately 5 or 6 percent. But the proportions who say they have attended more than once vary from 21 percent in New York to only 5 percent in Atlanta and Houston. These differences do not seem to correspond to other differences among these cities, such as differences in size, population density, income levels, education levels, or even the number of actors in the city. We cannot say for sure, but it appears that part of the differences in theatre attendance from one area to the next is a function simply of the degree to which theatres have pursued vigorous marketing policies and the degree to which these activities have been reinforced by other kinds of cultural opportunities available in the community.

Table IV-6

Attendance by Metropolitan Area

	Percent having attended during past 12 months					
	Live Professional Play			Live Amateur Play		
	At least Once	Once	More than Once	At least Once	Once	More than Once
New York	26	5	21	25	11	14
Minneapolis	19	5	14	32	11	21
Chicago	19	7	12	31	14	17
Washington	18	4	14	21	8	13
San Francisco	18	5	13	22	9	13
Los Angeles	17	5	12	19	6	13
Seattle	15	6	9	23	8	15
Boston	13	6	7	19	10	9
Cincinnati	12	5	7	24	10	14
Philadelphia	12	6	6	19	9	10
Atlanta	10	5	5	18	7	11
Houston	10	5	5	18	9	9

Source: Ford Foundation, The Finances of the Performing Arts.

9. Differences Between Frequent and Infrequent Attenders

Thus far, we have not examined explicitly the differences between frequent and infrequent theatre attenders, although some of these differences have been implicit in our discussion. Before concluding this section, therefore, some attention needs to be given to these differences.

In general, the same social and demographic characteristics that predict that someone will attend the theatre also predict that someone will attend frequently. For example, we have already seen that the young and the better educated are more likely to attend the theatre than the old and the less well educated. As shown in Table IV-7, youth and education are also associated with frequency of attendance. Those under age 50 attend approximately 1.3 times a year whereas those over 65 attend only 0.4 times a year and those with college educations attend 2.0 times a year on the average in comparison with those with grade school educations who attend only 0.1 times a year on the average.[1]

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[1] For performing arts audiences generally, DiMaggio, Useem, and Brown also conclude that there is a relation between education and frequency of attendance, although they find mixed results for age.

309

Table IV-7

Attendance Frequency by Age and Education

	Times Attended Live Theatre in Past 12 Months						
	0	1	2-3	4-5	6-10	Over 10	Mean
Among those whose age was:							
16-20	59	10	17	7	3	3	1.3 times
21-34	62	10	14	6	4	3	1.3 times
35-49	61	10	15	8	3	3	1.3 times
50-64	73	6	10	5	3	2	.9 times
65 and Over	87	5	5	2	2	0	.4 times
Among those whose education was:							
Grade school	94	1	3	1	0	0	.1 times
High school	73	9	10	4	2	1	.8 times
College	48	11	20	10	6	4	2.0 times

Source: Americans and the Arts, pp. 58-60.

But once one looks only at theatre attenders, there are some interesting differences in the characteristics distinguishing frequent from infrequent attenders (see Table IV-8). In Broadway audiences we have seen that men are significantly in the majority, but this is more the case with infrequent than with frequent attenders. We have also seen that the median age of Broadway attenders is relatively young and getting younger; however, frequent attenders tend to be somewhat older than infrequent attenders, probably because they are financially more capable of attending frequently. The proportion of students attending also drops off among frequent attenders, probably for the same reasons. But perhaps the most important finding has to do with the proportion in professional occupations. Among men, this proportion is nearly the same for both frequent and infrequent attenders. But among women, the proportion who are in professional occupations is much larger among frequent attenders. What this suggests is that the increasing numbers of women in professional occupations may be having a significant impact upon the frequency with which women attend the theatre.

Table IV-8

Social Characteristics by Frequency of Attendance and Theatre Type

	Times Attended in Past Year			
	1	2-5	6-10	Over 10
Broadway				
Percent male	67.9%	57.8%	57.8%	55.5%
Median Age	35 yrs	37 yrs	40 yrs	39 yrs
Percent professional				
Male	59%	55%	53%	60%
Female	36%	48%	62%	66%
Percent students	14%	11%	7%	7%
Percent college graduates	45%	57%	65%	77%
Average annual attendance		2.6	6.2	15.7
Regional				
Percent male	57.3%	55.4%	55.5%	56.7%
Median age	33 yrs	34 yrs	36 yrs	39 yrs
Percent Professional				
Male	59%	66%	69%	66%
Female	39%	62%	67%	71%
Percent students	23%	25%	19%	14%
Percent college graduates	48%	69%	77%	81%
Average annual attendance		2.6	6.5	15.2

Source: Baumol and Bowen, pp. 462-65.

For Regional theatres, the differences between frequent and infrequent attenders are only partially similar to those for Broadway (see Table IV-8 again). Frequent attenders are more likely to be older and less likely to be students than infrequent attenders. Among women, they are again more likely to be in the professions. However, the ratio of men to women is nearly the same among both frequent and infrequent attenders.

E. Attitudes Toward the Theatre

This section summarizes what has been found about the public's attitudes toward the theatre. It describes the public's degree of commitment to the theatre, reasons for attending or not attending the theatre, and attitudes toward public support of the theatre. The information presented affords an assessment of both the attitudes of the broader public and of those who actually attend the theatre.

It should be noted at the outset of this section, as most readers will undoubtedly recognize, that attitudes do not necessarily reflect the ways in which people may actually behave. For example, the fact that someone tells a pollster that he would be willing to pay five dollars more a year in taxes to support the theatre doesn't mean that he would actually vote for such a tax measure. Yet, attitudinal information *is* revealing. If virtually everyone polled said he or she would be willing to pay five dollars to support the theatre, but hardly anyone said he or she would be willing to pay twenty-five dollars, this information would clearly be of use in predicting potential support or lack of support for alternative tax policies. In general, attitudinal information is particularly useful whenever *comparisons* can be made, as in the foregoing example or among different parts of the population, or regarding different issues.

1. Commitment to the Theatre

One of the questions that recent audience research has attempted to answer is, how committed are people to the theatre? In other words, do the people who attend the theatre go because they deeply respect, value, and enjoy the theatre? Or do they attend simply from habit or because it is "the thing to do"? In short, what these questions address is how well the theatre is doing its job in the eyes of its audience. The answer to the question, of course, is crucial for forecasting how stable or unstable theatre demand may be in the future.

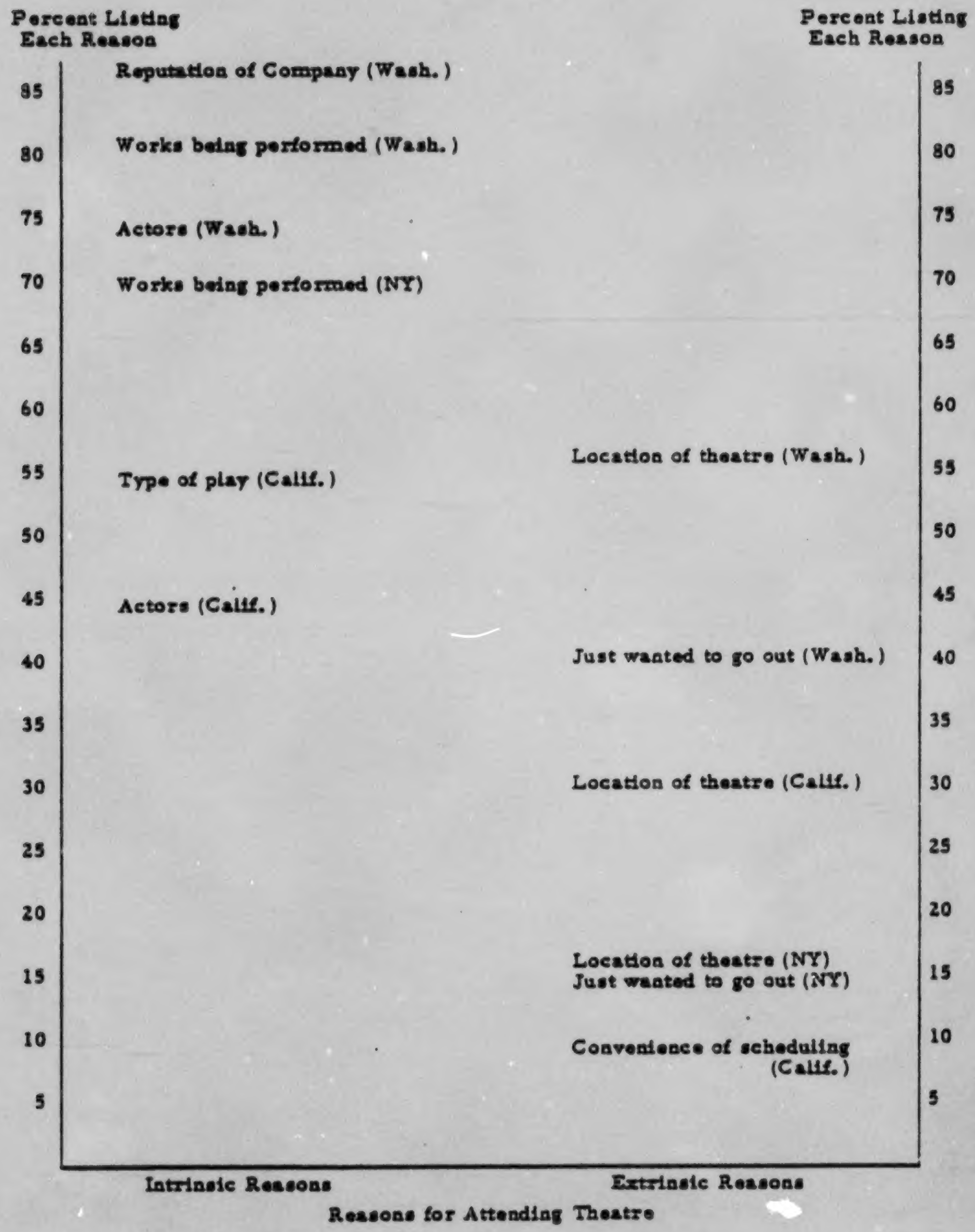
On first thought, it might seem that this question could have only one answer: people in theatre audiences are deeply committed to the theatre, otherwise they wouldn't be there (or at least they wouldn't admit their lack of commitment). Yet, studies of other voluntary activities of a somewhat similar nature haven't always shown this to be the case. For example, studies of church members consistently find that well over half of the members of some denominations typically do not express commitment to the various activities and beliefs prescribed by these organizations. Other studies have shown low levels of satisfaction with many of the society's basic institutions. For example, a recent Gallup poll found that only 40 percent of the public has "a lot" of confidence in the Congress and only 34 percent has a lot of confidence in big business.

There is a variety of information from which to piece together a picture of theatre audiences' commitment to the theatre. Perhaps the most straightforward comes from questions which ask audiences how satisfied they are with the performances they've just seen. These questions typically show high levels of satisfaction. For example, during its opening season in 1963, audiences of the Guthrie Theatre in Minneapolis were asked, "How well does the way you are enjoying today's performance compare with what you expected?" Only 6 percent said "not as well." Ten years later this proportion had risen slightly--to 9 percent--but still indicated that the overwhelming majority were pleased with what they were experiencing. Indeed, in both years, approximately half of those surveyed said the performance was better than they'd expected. In New York State, a similar question was put to theatre audiences statewide: "Do you agree or disagree that most performances like this one seldom live up to one's expectations?" Only 13 percent said they agreed. The same study also found that only 14 percent agreed with the statement, "There is very little new in theatre; most modern plays are just rehashes of what has been better done before."

Another way in which commitment to the theatre has been assessed is by asking questions about the value of the theatre. Responses to these questions also indicate a high level of commitment. Among "frequent attenders" in a recent representative sample of the nation and in a similar sample of New York residents, for example, approximately five out of six responded positively to questions about the value of the theatre (e.g., how important it is for young people to see live acting and whether live acting is more meaningful than TV or movies). What these data also reveal is that even in the general public there seems to be a high level of commitment to the value of the theatre. Between two-thirds and three-fourths responded positively to these questions.

Perhaps a somewhat more discriminating picture of theatre audiences' commitment to the theatre is that obtained from looking at the reasons people give for attending the theatre. Following the late social psychologist, Gordon Allport, such reasons can be divided into "intrinsic" motives and "extrinsic" motives; i.e., reasons pertaining to the content of the performance itself versus reasons only superficially related to the performance. Figure IV-18 summarizes the responses

Figure IV-18



Sources: Californians and the Arts, Arts and the People, A Study of Washingtonians' Attendance.

to a variety of these reasons given by audiences in the states of Washington, New York, and California. The responses suggest that intrinsic reasons far outweigh extrinsic reasons. For example, 70 percent in New York listed the "work(s) being performed" as an important factor in deciding to go to a play in comparison with only 14 percent who said they "just wanted to go out to some performance."

In sum, the theatre seems to enjoy a highly favorable image in the public's eyes. People say they attend for reasons having to do with the content of the performances themselves, rather than going merely for reasons of status or convenience. And overwhelmingly, theatre-goers say they are pleased with what they see.

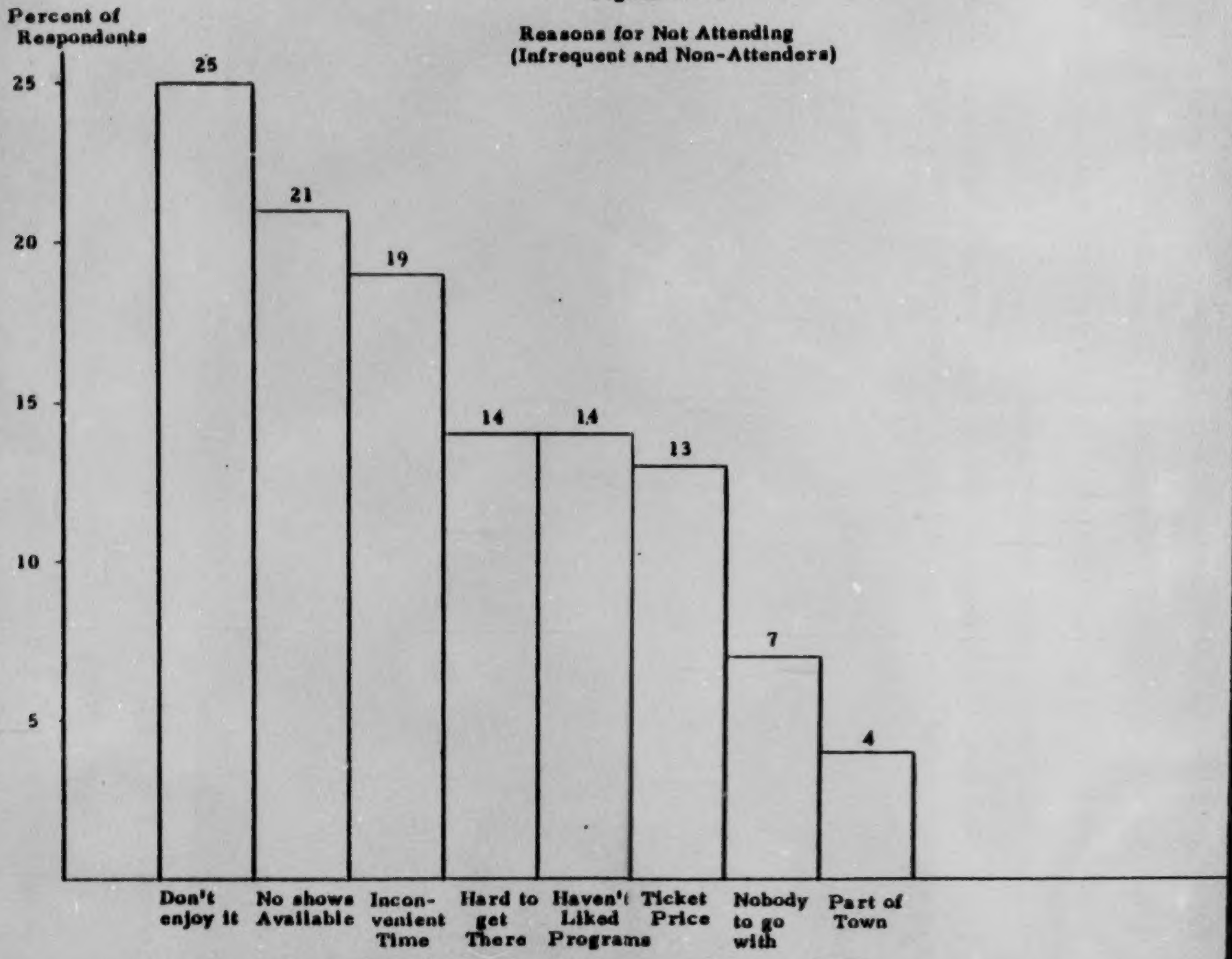
2. Reasons For Not Attending

Although those who attend the theatre seem to be highly committed to it, the vast majority of the public attends seldom, if ever. Here we wish to examine some of the reasons that people give for not attending the theatre; i.e., the obstacles they perceive to stand in their way. We will pay special attention to those reasons that seem to be voiced frequently among people whom we have already found to be under-represented in theatre audiences, particularly, the less well educated, the poor, older people, and people living in small towns and rural areas.

Figure IV-19 summarizes the results from a question which asked people to choose various reasons for not attending the theatre more often. The responses are from a national sample, but pertain only to those who did not attend the theatre or who attended only infrequently. The reason chosen most often was that people didn't enjoy that kind of activity

Figure IV-19

Reasons for Not Attending
(Infrequent and Non-Attenders)



Source: Americans and the Arts, p. 83.

(consistent with our earlier findings that people who do attend the theatre do so because they enjoy it). The reasons chosen next most frequently had to do with the inaccessibility of performances: none available, inconvenient times, difficulty in getting to the theatre, not liking the shows available. Ticket price was mentioned by 13 percent of the sample. The other reasons listed with some consistency were not having anyone to go with and the fact that the theatre was in an undesirable part of town.

This information affords only a crude sense of why people don't attend the theatre more often. To establish a somewhat firmer basis for judging, let us examine five of the reasons that have frequently been suggested in previous studies of the theatre: lack of interest, economic barriers, inaccessibility, the problem of going out at night, and competition from movies and television.

We have already seen that lack of interest is the most frequently cited reason for not going to the theatre. This seems to be one of the important reasons, in particular, for the low levels of attendance among the less well educated. As shown in Table IV-9, the grade school educated are much more likely to express disinterest in the theatre than the college educated. To a somewhat lesser extent, lack of interest also seems to be one of the reasons why the older attend less frequently than the younger. Again, it is important to recognize, however, that one of the reasons why the older may differ from the younger is not because they are older but because they in general are less well educated. Although we don't have the proper evidence for establishing this conjecture with certainty, the evidence shown in Table IV-10 allows us to now piece together an inferential explanation for the low rates of theatre attendance

Table IV-9

Interest by Education and Age

	Education Level		
	Grade School	High School	College
Percent who say:			
Don't enjoy that kind of activity	41	25	17
Having theatre easily accessible not important	43	17	9

	Age				
	16-20	21-34	35-49	50-64	65 and over
Percent who say:					
Don't enjoy that kind of activity	23	23	22	29	30
Having theatre easily accessible not important	11	12	14	22	36

Source: Americans and the Arts, pp. 83, 90.

Table IV-10

Cultural Interest Compared with Parents'

	Degree of interest in cultural activities compared with parents'			
	More Interested	Less Interested	About the Same	More, Minus, Less
Education:				
Grade school	24%	5%	59%	+19
High school	43%	8%	45%	+35
College	58%	5%	35%	+53

Source: Americans and the Arts, p. 11

among older people. There, responses are presented to a question that asked people to compare their interest in cultural activities with that of their parents. The responses are broken down by educational levels. The pattern evident is that the college educated are much more likely to say that they are more interested than their parents, while the grade school educated are considerably less likely to say that they are more interested than their parents. In other words, one of the reasons why older people attend the theatre less often than younger people seems to be that, being less well educated, they have less interest in cultural activities. The evidence in Table IV-10 suggests that there may be a slight increase in cultural interests among all groups (i.e., a secular trend), but it indicates that increasing levels of education is probably the largest factor in this increase.

In essence, this type of argument suggests that people do not attend the theatre because they haven't been socialized to enjoy and to appreciate cultural activities. The leading alternative to this argument suggests instead that people don't attend the theatre simply because of economic barriers--they can't afford it. Given the high costs of theatre tickets, it seems plausible that economic considerations do present a barrier for some, especially people from lower income families. Table IV-11 shows responses to a variety of questions about cost of attendance broken down by income levels. As should be expected, people with low incomes are more likely to say that cost keeps them from attending the theatre than people with higher incomes. Two things should be noted, however. One is that the differences between the responses of the lowest and highest income categories are generally not

Table IV-11

Economic Reasons for not Attending Theatre Performances By Family Income

	Family Income			
	Under $5,000	$5,000-$9,999	$10,000-$14,999	$15,000-and over
Reason for not going: price of tickets	15	13	13	10
Total cost keeps you from attending cultural events more often	43	42	44	32
Cost is the main reason most people don't go more often (California)	67	63	57	51
The cost of hiring a baby-sitter, etc., is more than I can afford (California)	32	18	16	10

Source: Americans and the Arts, pp. 83, 100; Californians and the Arts, pp. 171, 177.

great. The other is that even among the lowest income category usually only a minority lists cost as an obstacle to theatre attendance. While economic barriers should not be totally discounted as a reason for non-attendance, therefore, they do not seem to be a major factor inhibiting attendance.

The third explanation on which we have evidence is the possibility that people don't attend the theatre because the theatre is inaccessible. There seems to be considerable evidence in support of this explanation, at least in the public's mind. For instance, 40 percent of the public sampled in 1973 said there was no theatre readily accessible to their home, 50 percent said there weren't enough places for cultural events in their community, and 41 percent said that theatre performances were almost never available.

These perceptions, however accurate or inaccurate they may be, seem to be one of the possible explanations for the lower rates of theatre attendance that we have seen in small towns and in rural areas in comparison with cities and suburbs. As shown in Table IV-12, people living in small towns and in rural areas are much more likely than people living in cities and in suburbs to say that theatres and theatre performances are not available or readily accessible to where they live. This, together with other evidence showing that rural people are just as likely as urban people to express interest in the theatre, suggests that theatre attendance in rural areas might be greater if performances were more readily available.

A fourth explanation on which we have evidence concerns the possibility that people do not attend the theatre because they are afraid

Table IV-12

Perceived Inaccessibility of the Theatre

	Place of Residence			
	City	Suburbs	Towns	Rural
Reason for not going: No shows available	8	14	33	36
Live theatre performances never available	14	17	26	33
There are not enough places for cultural events	42	50	57	57
No theatre readily accessible to where I live	35	34	41	51

Source: Americans and the Arts, pp. 78-101

to go out at night. This possibility has become of increasing concern to the theatre community since many theatres are located in downtown areas where crime rates have risen to exceptionally high levels. It also seems a likely explanation, in addition to lower levels of interest, for the lower rates of attendance among older people. Judging from the proportion of older people who express fears of going out at night (see Table IV-13), there is indeed some evidence for this explanation.

Finally, some evidence is available from which to draw some conclusions about the argument that one of the major reasons why more people don't attend the theatre is competition from movies and television. This argument, of course, is rooted in the fact that movies and television have grown tremendously as a cultural force during the past twenty or thirty years. It has been suggested, in particular, that the easy

Table IV-13

Attitude Toward Going Out at Night by Age

	Age				
	16-20	21-34	35-49	50-65	65 and over
Percent agreeing:					
I don't like to go to downtown areas after dark; it's inconvient and dangerous (national sample)	43	45	55	64	71
Many people do not like to go out at night to neighborhoods where performances are given (California)	42	34	45	59	64

Source: Americans and the Arts, p. 96; Californians and the Arts, p. 165.

accessibility and somewhat simpler style of movies and television has replaced the theatre and other cultural activities, especially for the young, who have been raised on these media, and for the less well educated.

The evidence presented in Table IV-14 gives some support to this argument. For example, the grade school educated are much more likely to say that movies and TV exceed plays in entertainment value than are the college educated. The young (under age 20) are also more likely to say this than the middle-aged. The table also shows that those over age 50 are also more likely to say this than the middle-aged, again, perhaps because of lower levels of education or reluctance to go out at night.

Table IV-14

Attitudes Toward Movies and TV

	Percent agreeing that "Most plays are too difficult to understand. Movies and TV are more entertaining."
Education:	
Grade School	55
High School	34
College	14
Age:	
16-20	37
21-34	23
35-49	26
50-64	36
65 and over	38

Source: Americans and the Arts, pp. 38-39.

But do movies and television actually compete with plays or do people like to do both, but for different reasons. The evidence in Table IV-15 gives a somewhat disheartening answer. When asked to compare the theatre, TV, and movies with specific reference to creative or artistic satisfaction, the less well educated are much more likely to prefer TV to the theatre; i.e., as education rises, choice of theatre also rises and as education decreases, choice of TV increases. Age groups choose the theatre in about equal proportions, but movies loom larger as a competitor among the young, while TV looms larger among the old. In short, movies and TV do seem to compete directly with the theatre as a form of artistic expression among certain groups.

Table IV-15

Theatre, TV, and Movies as Creative Activities

	Percent obtaining most creative or artistic satisfaction from		
	Going to theatre, opera, dance	Watching TV	Going to Movies
Education:			
Grade School	1	19	2
High School	4	11	4
College	11	4	4
Age:			
16-20	6	5	7
21-34	6	5	4
35-49	7	8	4
50-64	5	14	3
65 and over	3	18	1

Source: Americans and the Arts, p. 12

Perhaps the crucial question, though, is whether or not movie-going and television-watching actually interfere with theatre-going. The best evidence on this question comes from a study conducted in California (see Table IV-16). Going to movies, it turns out, seems to be positively associated with going to the theatre. For example, people who never attend the theatre say they go to an average of 4.4 movies a year, in comparison with those who go to more than five plays a year among whom the average number of movies attended is 8.5. Movie-going is also higher among the college educated, like play-going, than among the grade school educated. What we haven't any evidence on, of course, is whether or not play-goers would go even more frequently if they didn't go to movies. With regard to television, there seems to be clear evidence that it serves as a substitute for the theatre. Both the direct and indirect comparisons shown in Table IV-16 indicate that those who watch television more attend the theatre less.

Table IV-16

Movies and TV by Education, Age, and Theatre-Going
(Sample: California)

	Mean Number of Movies seen in Past Past Year	Average Hours per Week of TV Viewing
Education:		
Grade School	4.2	18.0
High School	6.4	16.0
College	6.0	10.6
Age:		
18-24	11.0	14.4
25-34	7.6	15.3
35-49	5.0	14.5
50-64	3.1	16.6
65 and over	1.7	17.8
Theatre attendance:		
Never	4.4	17.6
None in past year	4.2	16.1
1-5 times in past year	6.4	15.4
Over 5 times in past year	8.5	11.7

Source: Californians and the Arts, pp. 152, 163.

To summarize, the reasons that people themselves give for not attending the theatre suggests that sheer lack of interest is probably the greatest overall factor, especially for the less well educated. The cost of attending cannot be written off totally, but does not loom as importantly as might have been expected. For people living away from large cities it appears that inaccessibility is probably the most significant obstacle to attendance. Fears of going out at night are perhaps a major obstacle for older people. And competition from movies and television, especially from the latter, appears to indeed be a factor among the less well educated, those under age 20, and those over age 50.

3. Support of the Theatre

The other kind of attitude on which recent studies have provided some useful information concerns the public's ideas about how the theatre should be supported. Perhaps surprisingly, neither among people who attend cultural activities a lot or among people who never attend is there much support for government support of the theatre. Only 14 percent of the culturally active favor government support for Broadway plays or commercial touring productions. The proportion favoring government support for non-commercial professional theatres is somewhat larger (29 percent), but still represents only a minority view (see Table IV-17). By way of comparison, the proportions who favor support from business are larger. But even here they do not suggest a significant mandate. On the whole, it appears that the public by and large feels that the theatre should support itself.

Table IV-17

Attitudes Toward Public Support of the Theatre

	Cultural Attendance Level			
	Frequent	Moderate	Infrequent	Non-Attenders
Percent who favor government support for:				
Broadway plays or commercial touring productions	14	7	4	3
Non-commercial professional theatres	29	18	9	5
Percent who favor business support for:				
Broadway plays or commercial touring productions	34	22	19	11
Non-commercial professional theatres	41	33	24	14

Source: Americans and the Arts, pp. 106-107

In light of this fact, it is nevertheless interesting, and all the more significant, that the public manifests considerable willingness to say they'd pay extra taxes to support "cultural activities." In part this may reflect differences in the way in which the questions were framed (cultural activities versus theatre). But whatever the reasons, a majority of the public is willing to pay at least $5.00 a year more in taxes to support cultural facilities. Among frequent cultural attenders this proportion rises to more than four-fifths, and even among the poor and in the South it represents a majority. There is less willingness to pay $25.00 in additional taxes, but almost a majority say they would be willing to do this. Over a third say they would even be willing to pay $50 in additional taxes (see Table IV-18).

As indicated near the beginning of this section, attitudes and behavior are not the same things. But it does appear that there is considerable willingness on the part of the public to pay at least small amounts in taxes to support cultural activities. Judging from the evidence presented in Table IV-17, though it seems considerably less likely that the public is willing to see taxes devoted specifically to the support of the theatre.

The final attitude on which we have information, and one which bears directly on the public's willingness to support the theatre, concerns the availability of theatre for children. As shown in Table IV-19, almost everyone agrees that children need to be exposed to cultural events, yet a large minority of the public feels that its children are not sufficiently exposed to these events. Racial and ethnic minorities, in particular, feel that more facilities and performances should be available for their children. It also seems significant, in view of the evidence we

Table IV-18

Willingness to Support the Arts through Taxes

	Percent willing to pay the following in additional taxes each year to support cultural facilities		
	$5	$25	$50
National Sample	64	47	36
Cultural attendance:			
Frequent	85	71	62
Moderate	79	66	54
Infrequent	66	47	35
Non-attenders	42	24	17
Income:			
Under $5,000	50	33	24
$5,000-$9,999	58	41	31
$10,000-$14,999	70	52	42
$15,000 and over	79	63	51
Region:			
Mid-Atlantic	68	51	41
Northeast	68	51	38
West	67	54	43
Midwest and Plains	67	48	37
Northwest	62	48	38
Southwest	64	42	33
South	55	40	30

Source: Americans and the Arts, p. 112

have considered regarding a lack of interest in the theatre among the less well educated, that the less well educated are just as likely to want more cultural activities for their children as the better educated.

Table IV-19

Availability of Performances for Children
(Sample: California)

	White	Spanish Speaking	Black	Grade School	High School	College	Total Sample
Percents who say:							
Children in area don't have enough opportunities to hear music and go to plays	39	56	70	45	42	44	43
It is important for children to be exposed to cultural events	91	91	97	85	91	95	91
Children ever go to live plays (parents only)	38	30	65	30	39	62	41
Children practice any performing arts (parents only)	43	24	41	32	40	58	41
Puppet shows and children's theatre rarely available	55	73	57	60	57	49	56
Should be more puppet shows and children's theatre in area	42	59	76	50	47	45	47

Source: Californians and the Arts, pp. 201-206

F. The Effect of Price on Ticket Demand

The last question remaining to be addressed in this chapter is that of the effect of ticket price on demand for theatre tickets. Unfortunately (and perhaps surprisingly), previous research has not explored this problem as fully as it needs to be. Most of the available evidence is based on methods or data that can be seriously faulted. And even the most careful examinations have not reached the same conclusions. This discussion, therefore, is limited primarily to summarizing the available information, pointing out some of its weaknesses, and providing an admittedly speculative overall conclusion.

One method of assessing the relation between ticket price and demand has been to examine the relation between the two from year to year. The assumption has been that if demand decreased after price had increased a negative relation must exist between the two. The information on trends in attendance and trends in ticket price presented near the beginning of this chapter has already suggested that there does not seem to be such a relation. Baumol and Bowen reviewed several similar trends for orchestras and operas and suggested that, although there seemed to be some negative relation, the effects of price increases seemed to be temporary and could have been caused by other factors. More recently, a detailed analysis of the relation between price and attendance at Broadway theatres conducted by Deane and Ibrahim and using multiple regression procedures found no significant relation between the two, a finding that corresponded with similar studies by Hilton and Moore. [1/] The Deane and Ibrahim study also examined the relation between price and attendance among theatres in 26 cities studied by the Ford Foundation, again finding no significant relation. The tentative conclusion that emerges from these studies is that attendance does not respond significantly to ticket price.

[1/] See Robert T. Deane and I. Ibrahim, Model Study for an Economic Data Program on the Conditions of Arts and Cultural Institutions (Washington, D.C., National Endowment for the Arts, 1977); Anthony Hilton, "The Economics of the Theatre," Lloyd's Bank Review, p. 101 (July 1971); and Thomas Moore, The Economics of the American Theatre (Durham, Duke University Press, 1968).

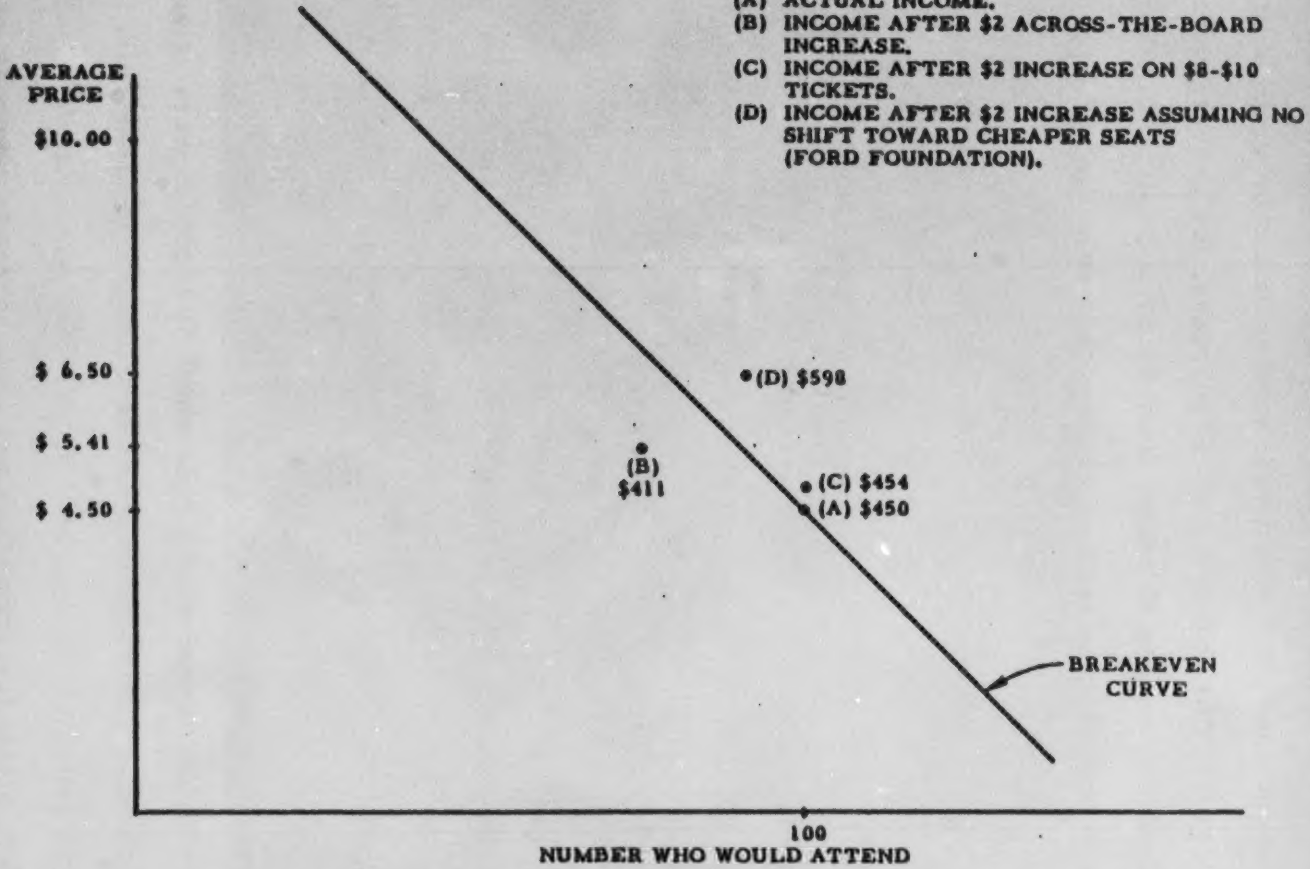
The problem with these studies however, is that they do not approximate experimental conditions; i.e., there are many other changes in economic conditions from year to year or from city to city (such as inflation, alternative cultural tastes, rising incomes, etc.) that may contaminate the results. Unfortunately, no true experiments have been conducted in which prices were deliberately manipulated to determine the effects on attendance.

In the absence of experimental information, several audience surveys have attempted to determine the relation between price and demand by posing hypothetical price increases and asking theatre-goers how this would affect their attendance patterns. The results from these surveys present a picture quite different from that given by the studies just considered.

Figure IV-20 provides a summary of these results. The information presented in Figure IV-20 comes from the Ford Foundation of residents in 12 cities and from the Washington State survey of theatre audiences. Point A in the diagram represents the actual amount of income that a theatre would earn based on the average price paid for theatre tickets in Washington State at the time of the study ($4.50) and assuming that 100 people attended (as a baseline). Thus, any price change must result in an effective income of at least $450 to represent any improvement over the actual situation. Point B in the diagram represents the amount of income that would be earned if the theatre instituted an across-the-board increase of $2.00 in ticket prices. As the diagram shows, Point B is below the break-even line, indicating that a $2.00 across-the-board increase would mean decreased income for

Figure IV-20

Demand by Ticket Price



(BASED ON RESPONSES TO HYPOTHETICAL $2 INCREASE, ASKED OF AUDIENCES IN WASHINGTON.)

Sources: A Study of Washingtonians' Attendance, Finance of the Performing Arts.

the theatre. The reason for this is two-fold: (1) a substantial number of the people to whom this increase was posed said they would simply no longer attend, and (2) a substantial number said they would shift to cheaper seats (thus, despite a $2.00 increase, the average ticket price would increase by only 91 cents, from $4.50 to $5.41). In other words, demand is sufficiently elastic that the higher prices would be more than cancelled out by fewer persons attending.

Point C represents the income that would be earned if a $2.00 increase was levied only on high priced tickets--those already costing $8.00 to $10.00. The reason for considering this policy is that the Washington survey found that people with high priced tickets were less likely to say they would not attend or would buy cheaper seats if ticket prices were raised. And indeed total income is slightly above the break-even line for this policy. In other words, there seems to be some warrant for suggesting, as the Washington study does, that if prices are raised, they should not be raised across-the-board, but should be raised in such a way that the range between the lowest priced seats and the highest priced seats is increased.

The final point (Point D) in the diagram is presented merely for comparison purposes. It is based on the results of the Ford Foundation study which also asked what people would do if prices were raised, but did not consider the possible option of shifting to cheaper seats. The Ford Foundation study concluded that demand was relatively inelastic in relation to price; i.e., that theatres could increase revenues by raising prices (as shown by the fact that Point D is above the break-even line). The results of the Washington study, however, indicate that most of the expected income increase would be wiped out by people shifting to cheaper seats.

Since the relation between ticket price and ticket demand has been studied as little as it has, and with techniques based on differing and sometimes incompatible assumptions, it is impossible to infer any definitive conclusions. The results just reviewed do give some pause to the assumption that demand is unaffected by price, however. Under certain circumstances, it may be that theatres cannot increase revenues simply by raising ticket prices. One exception to this rule may be that an increase in high priced tickets may yield some additional income (although it has been suggested that this policy might have a negative effect on philanthropy). There are two notes of caution that should be sounded along with this conclusion. The first is that this conclusion is based on information from a hypothetical question posed to people in theatre audiences. Thus, it is by no means clear that people would actually behave in the way they indicated should price increases actually be invoked. Perhaps only the foolish respondent would have answered any other way than the study showed, for fear that too easy acceptance of a proposed ticket price increase would indeed result in precisely such an increase. The second note of caution is that these results do not mean that prices could not be increased in keeping with overall increases in personal incomes and costs of living. Still, the burden of the argument is the suggestion that demand may be more elastic with respect to price than has often been thought.

G. Summary and Conclusions

The implications of many of the findings discussed in this chapter cannot be assessed fully except in relation to the other parts of this report. But the conclusions that appear most relevant for such an overall assessment include the following:

1. The theatre in its various forms serves a sizable segment of the American population. As many as 20 million people attend professional theatre performances at least once a year and considerable numbers of them attend substantially more often. Thus, between 55 million and 65 million theatre tickets are purchased each year. And when amateur theatre is included, the number of tickets may be as high as 160 million, representing nearly 50 million people.
2. Attendance is divided among a wide variety of theatres and there appears to be an increasing tendency toward diversification and regionalization of the theatre. Well over half of all theatre attendance now, for example, consists of attendance at regional, stock, and dinner theatres.
3. It appears that important means of advertising, such as television, have not yet been fully exploited by the theatre industry for reaching potential audiences. It does appear, however, that innovations in ticketing, such as the use of phone orders, have begun to be effective.

4. Theatre attendance remains very much a function of distance to the theatre. Indeed, one of the frequently listed reasons for not attending has to do with the inaccessibility of performances. This factor has undoubtedly been important to the thrust toward greater regionalization of the theatre.
5. Theatre audiences tend to consist predominately of the better educated and the more affluent.
6. The major sectors of the population that are currently under-represented in the theatre audiences are the less well educated, the elderly, people living in rural areas and small towns, and people living in the South and Southwest.
7. Theatre-goers in the United States present a picture of intrinsic commitment to the value of the theatre and appear to be well satisfied for the most part by the performances they experience.
8. The main barrier to theatre attending on the part of those who rarely or never attend, according to their own statements, seems to be a lack of interest in or appreciation of theatre performances, perhaps largely due to a lack of exposure to the theatre. In addition, cost is clearly a barrier for the less affluent, inaccessibility is a special barrier for people living in rural areas and small towns, fear of going out at night is a barrier for the elderly, and competition from television is an important barrier especially for the less well educated and the elderly.

9. The extent to which changes in ticket prices affect the demand for theatre tickets remains unclear.

V. THEATRE LABOR FORCE AND EMPLOYMENT

A. Introduction and Overview

In the preceding chapter, we examined data on theatre audiences and on the attitudes of Americans toward the theatre arts. These data showed that approximately 20 million Americans attended at least one live professional theatre performance during the 1976-77 season. It also showed that individuals' propensities to attend depends strongly upon the experience of having done so, and the opportunity to do so.

In this chapter, we examine some data that describe the people who are employed or seek employment in the theatre. The jobs performed by these people to produce theatre encompass a wide variety of tasks, as is shown in Figure V-1, which lists some of the different theatre occupations.

The data we consider in this chapter includes information on the theatre labor force, theatre employment, and compensation in the theatre. While our data cover only a few of the theatre occupations shown in Figure V-1, the patterns represented in these data probably are representative of trends and conditions in the theatre.

Our data show a number of interesting trends and conditions. Most interesting perhaps are trends in membership in artists' unions. For example, Actors' Equity Association membership data shows an annual increase in membership over the period 1961 - 1975 of over 3 percent per year. Over this same period, the population growth rate was about 1.6 percent per year, and the rate of growth of the civilian labor force was about 2 percent per year. This high rate of growth of one component of the theatre labor force relative to the rates of population and labor force

Figure V-1

An 800 Seat, Non-Musical Theatre - Typical Minimum Staff Requirements

Nonprofessional community theatre (multi-production season)		Stock theatre using AEA company (multi-production season)		Broadway theatre (one production)	
Full-time operating staff (nonsalaried)	Part-time or on fee, royalty or optional	Full-time operating staff	Part-time or on fee, royalty or optional	Full-time operating staff (union)	Part-time or on fee, royalty or optional
Artistic Director House Manager Box Office Treasurer Stage Manager Master Electrician Properties Master Stage crew Makeup crew	Board of Directors Committees Executive Secretary Business Secretary Publicity Chairmen Ticket Sales committees Legal Counsel Director Author* Scenic, Lighting and Costume Designer Scene and Costume construction crews Ushers Ticket-takers Prompters Maintenance crew	Producer or Artistic Director General Manager Business Manager House Manager Secretary Box Office Treasurer Assistant Treasurer Publicity Director Janitor(s) Production Stage Manager* Scenic Designer Lighting Designer Costume Designer Properties Master Technical Director Carpenter Seamstress and Wardrobe Mistress Master Electrician 5-15 technicians or apprentices	Board of Directors (if nonprofit) Attorney Accountant Director* Author* Group Sales Manager Ushers Ticket-takers Doorman Poster boys, etc. Security Guard Hairdresser and wig specialist House Physician Matrons	*(Producer's Staff)* General Manager Company Manager* Stage Manager* Assistant Stage Manager* Stagehands* Fly men* Light men* Makeup artist* Hairdresser* Wardrobe Mistress* Press Agent* Dressers* *(Landlord's Staff)* House Manager* Treasurers* Ushers* Directresses* Doormen* Carpenter* Electrician* Property Master* Cleaners* Matrons* Heat, air-conditioning and other maintenance Firemen* Watchman* Porter*	Director* Author* Scenic Designer* Costume Designer* Lighting Designer* Scene builders* Scene painters* Costume builders* Wig makers* Prop builders* Scene transporters* Attorney Accountant(s) House Physician

*Working under union or other collective bargaining association contract.

Source: Langley, Stephen, Theatre Management in America (New York: Drama Book Specialists/Publishers, 1974), p. 72.

is consistent with the data we have examined in other chapters which shows growth of the theatre in America.

Employment data do not, however, show this same pattern of relatively rapid growth. Employment of Actors' Equity Association members (as measured by work weeks) grew at the rate of approximately 1.2 percent per year over the period 1961-1975, while total U.S. employment grew at the rate of about 1.9 percent over this same period.

Individual employment data which we shall examine show that there is little employment security for artists in the theatre. In 1976, approximately 40 percent of the paid-up members of Actors' Equity Association did not work at all. Of the 60 percent of the paid-up members who worked at least once, approximately 50 percent worked for less than 15 weeks.

Another particularly interesting trend is shown by data on weekly minimum wage rates. These data show, for many theatre occupations, a rate of increase in weekly wage rates that is higher than either the rate of increase of the general price level (as measured by the consumer price index) or the average weekly wage rate in nonagricultural employment in our economy.

However, when we examine data on labor compensation in relationship to total expenditures we find no trend or a slight downward trend. This means, given relatively rapid increases in wage rates, that the theatre must have been resorting to various measures to economize on labor usage. We have seen in Chapter II direct evidence of measures taken by large, non-profit theatres to reduce the cost of labor per performance by cutting back number of productions, and lengthening the run of productions thus spreading production costs over a larger number of performances.

It is important to keep in mind that our examination of trends and conditions, as described above, is based on a limited set of indicators. Considerably more data than has been assembled here are available, albeit in raw form, in the files of the various unions and associations representing the theatrical occupations. We have been able to collect and analyze only a small portion of what is available. Nonetheless, we do believe that the limited data we do have are sufficient to support the conclusions that we have drawn.

The plan of the chapter is as follows. In Section B, we examine trends in selected components of the theatre labor force. As noted above, this examination will show that selected components of the theatre labor force appear to have grown in size more rapidly than has the total civilian labor force over the 1960's and early 1970's. This is, as we have observed, additional evidence of growth in theatrical activity corroborating evidence we have presented in earlier chapters.

Section C traces the growth of employment in the theatre. The data we examine there will show that actors' unemployment in the theatre has grown more slowly than has total U.S. civilian employment. We also examine patterns of employment within the theatre in this section. In this regard, our data show highest growth rates for the dinner theatres, followed at a distance by employment in the non-profit theatre.

Section D examines compensation trends and patterns. Our data on this subject show that weekly wage rates for most of the theatre occupations have risen faster than weekly wages in the general economy, and also faster than the general price level.

Data on incomes from employment in the theatre do not show this same pattern of progress, however. Sample data on individual incomes from employment in the theatre show that average annual incomes from many employments in the theatre are low by any reasonable standard.

We should remark before we begin our examination of data that the data we have pertains primarily to the part of the profession that is relatively well-off. We do not, for example, have data on employment and earnings of individuals working in the smaller developmental theatres or the ethnic theatres, most of which do not operate under union contracts or keep data in a fashion amenable to reporting and analysis. We can only infer from the data that we do have for the larger not-for-profit theatre, for the for-profit Broadway theatre, and for members of Actors' Equity Association, that the employment and earnings prospects for those working in less established theatres could not be very bright.

B. Labor Force

The only systematic body of data that we have available on the theatre labor force over a period extending back into the 1960's is data on the membership of unions whose jurisdictions include the theatre or enterprises closely related to the theatre (i.e., motion pictures, television). It is important to recognize that union membership is a very different concept of labor force than is usually employed by the Bureau of the Census in determining unemployment rates in our economy. By "labor force," we usually mean the number of individuals who are either employed or actively seeking employment. Union membership, in contrast, is simply the number of individuals who belong to a union. Union members may or may not be employed or seeking employment under the jurisdiction of their union. For example, some members of Actors' Equity Association work virtually full time in television or pictures, and hence are not even available for employment in the theatre.

Nonetheless, it seems reasonable to presume that most union members maintain their membership because they have at least vague aspirations or expectations of working under union jurisdiction at some time. Union membership and employment thus provide at least rough indicators of trends and conditions in labor markets.

1. Actors' Equity Association

By far the most comprehensive labor data we have available is for members of Actors' Equity Association, which represents a substantial proportion of the actors (including stage managers, chorus, and extras) working or seeking work in the professional theatre in America. Until 1973, only membership data for the combined total U.S. and Canadian membership of Equity is available, so that the labor force data that we shall present based upon Equity membership includes Canada.1/ A very rough estimate is that Canada accounts for approximately 10 percent of Equity's total membership.

In Figure V-2 below, we have plotted an index of Equity's paid-up membership2/ over the period 1961-62 to 1975-76, where the base level

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1/ Until 1976, Canadian Actors' Equity Association was formally affiliated with U.S. Actors' Equity Association.

2/ Many Equity members who are out-of-work are not paid-up, and become paid-up only when they find work. Paid-up membership is thus not en entirely reliable estimate of Equity members seeking work.

membership is taken to be 100 in the 1961-62 theatre season. As this figure shows, paid-up membership has risen in every year since 1961. Computations indicate that membership has grown at an average annual rate of approximately 3.-5 percent per annum between 1961-62 and 1975-76. For comparison purposes, we have also plotted an index of the total U. S. civilian labor force over this same period. As can be seen from Figure V-2, the increase in this series is steady over the period, with increases generally being somewhat smaller than those in the Equity membership index. The growth rate for the U. S. civilian labor force over the period calendar year 1961-1975 is approximately 2.01 percent per annum.

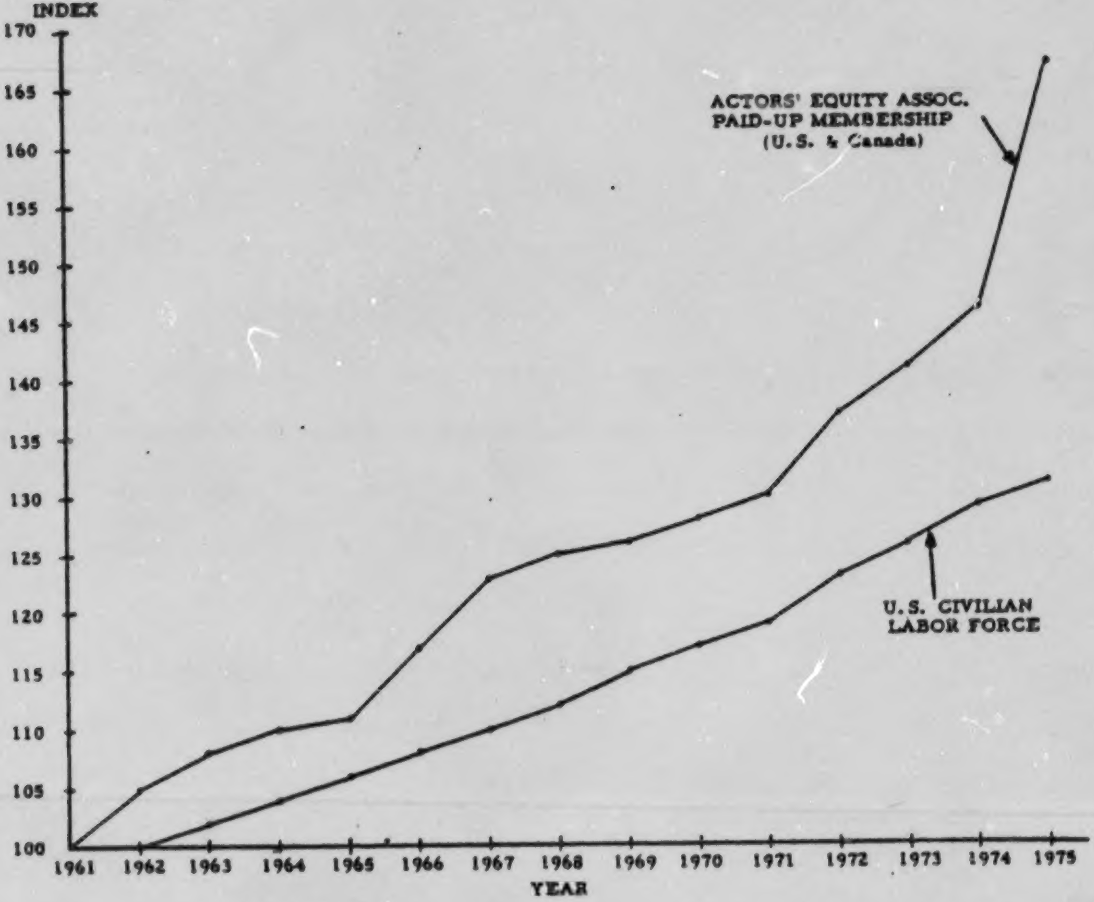
The clear conclusion which emerges from the data depicted in Figure V-2 is that Equity membership -- which recall we take to be a proxy for the labor force of actors -- has grown more rapidly than has the civilian labor force. Some supporting evidence for this conclusion is available in data collected and reported by the U.S. Bureau of the Census and U.S. Bureau of Labor Statistics. In particular, Census-BLS data on actors show that the number of actors (according to the Census-BLS definition) has grown by about 4.66 percent per annum over the period 1970-75. The rate of growth of Actors' Equity membership over approximately this same period was about 4.85 percent. In contrast, the civilian labor force grew at only about 2.36 percent per year over this period.

This pattern of rapidly relative growth in the labor force of actors is certainly consistent with the evidence presented in preceding chapters showing some growth in the level of professional theatrical activity in the country. On the other hand, it is certainly surprising growth in view of

Figure V-2

A Comparison of Index of Actors' Equity

Association Membership with Index of Civilian Labor Force



the well-known, persistent insecurity of actors' employment, which we shall discuss below in Section C. Evidently, the labor force of actors expands both rapidly and readily in response to expansions of theatrical activity. Indeed, we shall see in Section C that entry into membership has been sufficiently rapid to more than offset the gains in employment opportunities associated with recent growth in activity. The result has been, as we shall see, a slight decrease in employment per member.

In this regard, it should be noted that Actors' Equity Association is an open union. Membership is open to anyone who obtains employment in an Equity jurisdiction, and used to be open (on a reciprocity basis) to members of other related unions.

2. Membership in Other Unions

Data on union membership of unions with theatre and related jurisdictions is shown in Table V-1. Unions included in this table are Actors' Equity Association (AEA), the American Federation of Musicians (AFM), the American Federation of Radio and Television Artists (AFTRA), the International Alliance of Theatrical Stage Employees and Moving Picture Machine Operators (IATSE), the Screen Actors' Guild (SAG), the Association of Theatrical Press Agents and Managers (ATPAM), and the Dramatists' Guild (DG).[1] Interestingly, these data show a consistent pattern of rapid growth of memberships of performing artists' unions. The growth rates of membership in AFTRA and SAG are nothing short of phenomenal. DG, which represents non-performing artists, also has a relatively rapid growth rate. Only AFM shows a low growth rate over the whole period, due to a fall in reported membership in the early 1960's.

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[1] Strictly speaking, the Dramatists' Guild is an association, not a union.

Table V-1

Selected Union and Association Memberships

	(1) Actors' Equity Association	(2) American Federation of Musicians	(3) Amn. Fed. of Radio and TV Artists	(4) Int. Alliance of Theatrical Stage Emp.	(5) Screen Actors Guild	(6) Assoc. of Theatrical PA & Mgrs.	(7) Dramatists' Guild
1961	11,583						
1962	12,146	281,949	15,000	61,037	14,315		
1963	12,514						
1964	12,740	275,254	16,780	60,546	15,302		
1965	12,902						
1966	13,511	252,487	18,250	62,160	16,793		1,760
1967	14,199						1,765
1968	14,504	283,155	23,000	60,000	21,000		1,845
1969	14,608						1,915
1970	14,841	300,000	24,000	63,000	23,000		1,960
1971	15,098						2,060
1972	15,866	315,000	23,714	62,000	26,610	566	2,180
1973	16,366					581	2,240
1974	16,856	330,000	26,917	61,471	29,797	588	2,350
1975	19,304					570	2,445
1976						580	2,575
Growth Rate	3.05%	1.63%	4.86%	0.15%	6.47%	0.3%	3.96%

Sources: Column (1): Hewitt Report, Actors' Equity Association.
Columns (2)-(5): U.S. Bureau of Labor Statistics, Directory of National and International Labor Unions in the United States.
Column (6): ATPAM.
Column (7): Active and associate members of Dramatists' Guild, supplied by David LeVine of DG.

If, however, we examine the AFM's growth from the mid-1960's onward, we observe a relatively rapid growth rate of over 3 percent per year.

The only data we have on membership of unions representing non-performers are for IATSE and ATPAM. The pattern shown by these data is in marked contrast to that shown by the membership data for the artists' unions. In particular, memberships in IATSE and ATPAM have remained roughly constant over the entire period. Undoubtedly, this reflects the fact that it is difficult to become a member of IATSE and ATPAM -- a policy probably influenced by employment opportunities in those particular trades.

People working in theatre occupations are frequently members of more than one union. A study by Ruttenberg, Friedman, Kilgallen, Gutchess & Associates, Inc. (RFKG&A), currently in progress under sponsorship of the Human Resources Development Institute, Inc., AFL-CIO, in cooperation with the Council of AFL-CIO Unions for Professional Employees, provides the first effort to provide data on the degree of overlap of membership of performing artists' unions. 1/ These data come from a survey of members of AEA, AFM, AFTRA, AGMA, and SAG, and provide a comprehensive picture of employment and earnings of members of the unions in addition to information on membership overlap.

The basic RFKG&A sample data on union membership overlap are shown in Table V-2 below. Each column of the table reports sample data

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1/ Ruttenberg, Friedman, Kilgallen, Gutchess & Associates, Survey of Employment, Underemployment and Unemployment in the Performing Arts, Draft Report, December 1977. This version of the report (which is now undergoing revision) did not discuss the sampling methods or other methods employed in the study. Although we make some comparisons between the results reported by RFKG&A and other data in this chapter, we cannot be certain that these comparisons are appropriate. We caution the reader that subsequent versions of the RFKG&A report may present revised results and/or may show the comparisons made here otherwise to be invalid.

Table V-2

Overlap of Union Membership

	Union Designation				
	Actors' Equity	AFM	AFTRA	AGMA	SAG
Actors' Equity	99.8	0.1	32.0	19.0	39.0
American Federation of Musicians (AFM)	1.8	99.5	7.0	2.2	2.5
American Federation of Television and Radio Artists (AFTRA)	53.2	1.7	97.4	15.6	56.6
American Guild of Musical Artists (AGMA)	3.8	0.5	1.6	96.5	0.7
American Guild of Variety Artists (AGVA)	6.3	0.1	2.3	2.2	6.0
Screen Actors Guild (SAG)	60.2	1.0	53.9	8.5	99.0
Screen Extras Guild (SEG)	1.0	0.1	3.5	1.1	7.9
Other	1.0	0.2	1.0	-	0.3
No Principal One	-	-	-	-	-
No Answer	-	-	0.1	0.4	-

Source: RFKG&A Table 003.

for individuals who are members of the union designated at the head of the column. The first column of the table reports the percentage of respondents in the sample of Equity members who are also members of the unions designated in the row tabs of the table. For example, we see from this table that 53.2 percent of the individuals who are members of Equity are also members of AFTRA.

The circled figures in Table V-2 show the overlap between unions with jurisdictions in the theatre, radio and television, and the movies. As this table shows clearly, there is a great deal of overlap, which means presumably that there is a great deal of interchange of personnel between the theatre, the media, and motion pictures.

Another interesting type of data concerning membership that has been developed in the RFKG&A study is data on principal union of employment. In particular, the RFKG&A survey asked each respondent,

> If you are a member of more than one PERFORMING ARTS union, do you consider one of them your principal union of employment? If so, which one.

The responses to this question are tabulated below in Table V-3. As this table shows, about 60 percent of the Equity members surveyed considered Equity to be their principle union of employment. Only the AFM had a markedly higher percentage. This is additional indirect evidence that union members in AEA, AFTRA, and SAG expect to move and do move between theatre, the media, and motion pictures.

The RFKG&A data also shed some light on the relationship between union membership and the performing arts labor force. As noted above, union membership is not the same concept as "member of the labor force" used by the U.S. Bureau of the Census - U.S. Department of Labor in

Table V-3

Principal Union of Employment

	Union Designation				
	Actors' Equity	AFM	AFTRA	AGMA	SAG
Actors' Equity	58.2	0.0	10.7	6.8	9.4
American Federation of Musicians (AFM)	0.8	98.4	4.3	0.6	0.3
American Federation of Television and Radio Artists (AFTRA)	6.5	0.2	48.5	0.7	9.8
American Guild of Musical Artists (AGMA)	1.1	0.3	0.5	81.6	-
American Guild of Variety Artists (AGVA)	0.1	0.0	0.4	0.4	1.0
Screen Actors Guild (SAG)	19.8	-	17.6	-	63.5
Screen Extras Guild (SEG)	0.3	0.0	0.1	-	4.4
Other	0.5	0.1	1.0	-	0.2
No Principal One	12.7	0.9	16.9	9.9	11.4
No Answer	-	0.0	0.1	-	-

Source: RFKG&A Table 004.

Table V-4

Percentage of Respondents Indicating that Performing Arts is Principal Profession

	Union Designation				
	Actors' Equity	AFM	AFTRA	AGMA	SAG
Principal Profession is Performing Arts	80.5	46.5	76.8	62.5	68.3
Principal Profession is Not Performing Arts But is Related to It	7.1	48.5	10.4	17.9	3.7
Principal Profession is Not Related to Performing Arts	11.5	36.5	12.8	19.5	27.5
No Answer/Don't Know	0.9	0.2	-	-	0.5

Source: RFKG&A Table 005.

computation of unemployment statistics. The data shown below in Table V-4 show the proportion of respondents who consider the performing arts as their principal profession, i.e., who may be presumed to be seriously interested in employment in the performing arts. As this table shows, over 80 percent of Equity's membership considers the performing arts to be its principal profession.

C. Employment

As was the case for our discussion of labor force trends and conditions, our most complete data once again pertain to employment of Equity members under Equity contracts. We do, however, have some shorter aggregate series and individual data showing employment of members of other unions and non-unionized personnel, which we will also report and analyze here.

1. Employment of Equity Members Under Equity Contracts

a. Overall Trends

Basic data available on Equity employment include two different types of employment measures, median week employment and total work weeks. These data are summarized in Figure V-3, which shows indexes of median week employment[1] and total work weeks of Equity members under Equity jurisdiction in the U.S.A. over the period 1961-62 through 1975-76. For comparison purposes, an index of total civilian employment is also shown in this figure.

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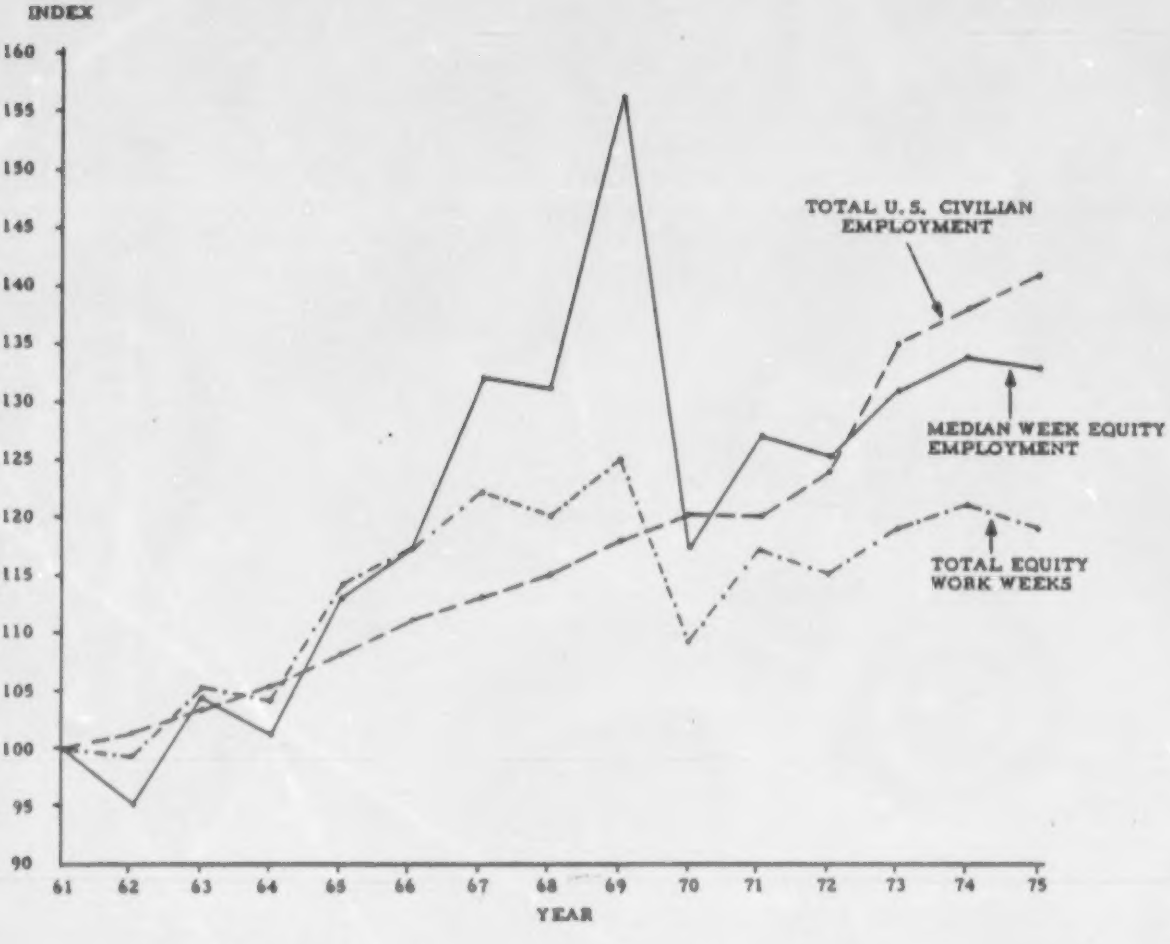
[1] Median week employment is determined by counting the total number of members working during each week of the year, ordering the weekly totals from lower number to highest number, and taking the middle valu

Figure V-3
Actors' Equity Mean and Median
Week U.S. Employment and Total Civilian U.S. Employment



As is apparent from a comparison of the curves shown in Figure V-3, median week employment of Equity members has grown somewhat more sporadically than has total civilian U.S. employment. [1] The growth rate for median week employment of Equity members in the U.S. over the period 1961-62 to 1975-76 was approximately 2.34 percent per annum, while that for total civilian employment was about 1.92 percent per annum, while that same period. The difference between these growth rates (about 0.4 percent per year) is somewhat smaller than the difference between the growth rate of the actors labor force and the total civilian labor force, which differ by about one percentage point.

Another perspective on employment of Equity members can be obtained by examination of data on the total number of work weeks of Equity members. [2] A "work week" is defined as one Equity member working during any part of one week. Data on total work weeks of Equity members in the U.S. are displayed in index form, by the dotted line, In Figure V-3, covering the period 1961-62 to 1975-76. As is the case for median week employment, total work weeks have grown more sporadically than has total civilian employment in our economy. The growth rate for total Equity work weeks over the period 1961-62 to 1975-76 was about 1.22 percent per year.

The most important conclusion which can be drawn from the data depicted in Figure V-3 is that aggregate employment of AEA members seems to have grown more slowly than has total membership, and -- using the work weeks measure of employment[1] -- more slowly than has total civilian employment in our economy. As was noted in the preceding section (see Section B), the slow rate of growth of employment relative to membership means that AEA members on the average find less employment in the theatre today than they did in the 1960's. This is shown in Figure V-4, which shows work weeks per member from 1961-62 through 1975-76. While there have been some increases observed over these years, the general trend of work weeks per member has been downward. A reduction of work weeks per member does not mean that AEA members are finding less employment. They may, for example, find employment in television or pictures. The individual data that we examine in the next section, and the individual earnings data examined in Section D show quite clearly that the average Equity member needs other employment if an income above the poverty level is to be made.

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[1] This is not surprising since total civilian employment tends to average out cyclical swings that affect individual sectors like the theatre.

[2] Total work weeks also provides an indicator of the average number of actors working during a week in the year. In particular, if we divide total work weeks by the number of weeks in a year, we obtain mean work weeks.

b. Employment by Employment Area

Some insight into the probable sources of growth in employment of Equity members can be gotten by examining data on work weeks by employment area. Data on work weeks in major employment areas are shown in Table V-5, as are growth rates computed from these data for selected periods.

There are two important patterns that emerge from examination of the data in Table V-5. First, it is important to note that employment, as

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1/ This is the more appropriate indicator of the two to compare with total U.S. civilian employment since the latter is also an average (mean). See footnote 1 on page V-18.

Figure V-4
Actors' Equity Association Work Weeks
Per Paid-Up Member
(U.S. Plus Canada)

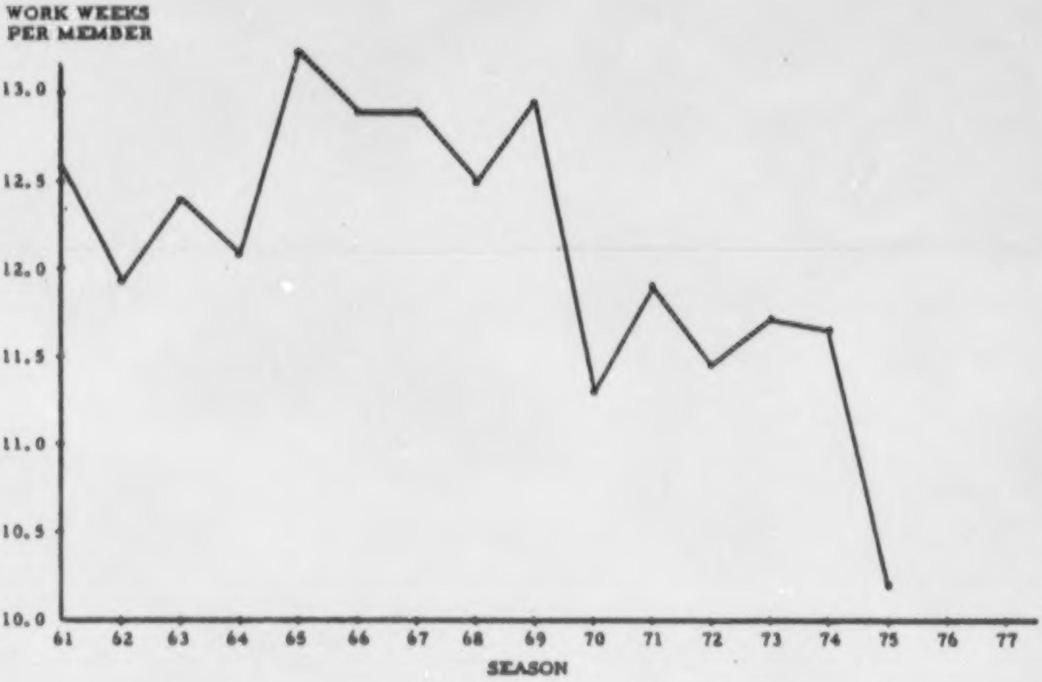

Table V-5

Work Weeks of Equity Members by Employment Area

Season	Broadway	Road	LORT	Dinner	Stock	All Areas
1967-68	40,900	27,076	38,511	-	-	165,197
1968-69	39,502	26,586	36,150	-	-	162,283
1969-70	38,221	31,352	32,522	-	-	168,473
1970-71	34,792	29,393	26,893	10,521	20,662	146,876
1971-72	36,419	25,839	26,658	15,952	25,409	157,707
1972-73	27,837	23,279	27,309	23,098	28,850	155,099
1973-74	22,776	24,052	29,661	28,858	27,630	161,490
1974-75	25,417	17,802	31,027	33,411	26,574	164,041
1975-76	28,280	18,464	35,657	25,985	25,231	160,828
Growth Rate 1967-68 - 1975-76	-6.76	-5.83	-1.56	-	-	-0.18
Growth Rate 1970-71 - 1975-76	-6.62	-9.74	5.57	19.89	3.11	1.75

Source: Actors' Equity Association, Hewitt Report, 1975-76.

measured by work weeks, actually tended to decrease at a rate of about two-tenths of a percent per year over the period 1967-68 to 1975-76. This contrasts with our estimated growth rate for the period 1961-62 through 1975-76 of about 1.2 percent, and our estimated growth rate for the period 1970-71 through 1975-76 of 1.75 percent per year (see Table V-5). What this fluctuation of growth rates shows, depending upon the period over which they are calculated, is that employment in the theatre is subject to cyclical swings. This corroborates our finding that theatre activity is subject to swings, which is discussed in Chapter II.

The second pattern that emerges from the data shown in Table V-5 is the importance of the theatre out of New York in maintaining employment levels. Over the period covered by our data, Broadway and the Road have provided less and less employment for Equity members, whereas LORT (at least over the 1970-71 through 1975-76 period), the dinner theatre, and stock have all provided employment growth. This provides additional evidence that the geographic nature and extent of theatre activity are changing, as also was discussed in Chapter II.

c. Individual Equity Member's Employment

Another perspective on employment of Equity members is provided by data on individual member's employment in the records of the Equity-League Welfare and Pension Fund. These records report work weeks in covered employment [1] of Equity members back to 1960-61. We have drawn a small sample from these data to develop some very rough information on Equity members' covered employment since 1970. [2]

In Figure V-5 below, we show the distribution of work weeks in covered employment for members in our sample who worked in covered Equity employment during 1976. As this figure shows, the median number of weeks worked for members who worked at all in covered employment was about 15 weeks. Computations based upon the data reflected in Figure V-5 show that the mean number of weeks of employment for members working in covered employment in 1976 was about 15.5 weeks.

In Figure V-6, we present distributions for 1970-75 comparable to that for 1976 shown in Figure V-5. A comparison of Figure V-5 with similar figures drawn for 1970-75 reveals that the pattern shown in Figure V-5 is representative: in any year, Equity members who are employed at all during the year typically are employed for only a part of it.

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[1] Pension coverage has been extended progressively to Equity contracts over the years. Virtually all paid employment under Equity jurisdiction has been covered since 1967.

[2] Our sampling procedure was as follows. Data were taken for every 100th individual in the Equity-League Fund computer file of fund members, listed in alphabetical order.

Figure V-5
Work Weeks in Covered Employment
of Equity Members Working
Under Equity Contracts During 1976-77
(Sample Size = 325)

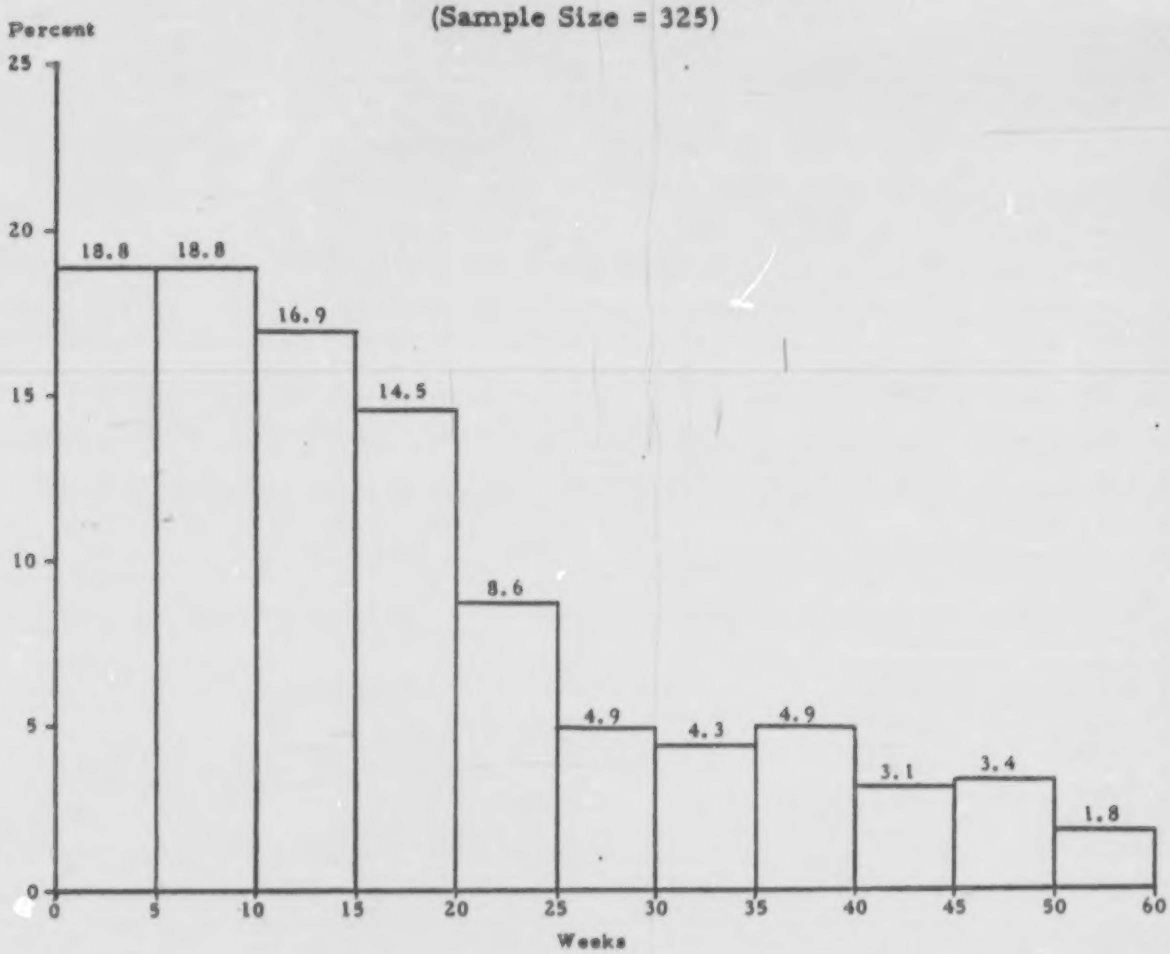
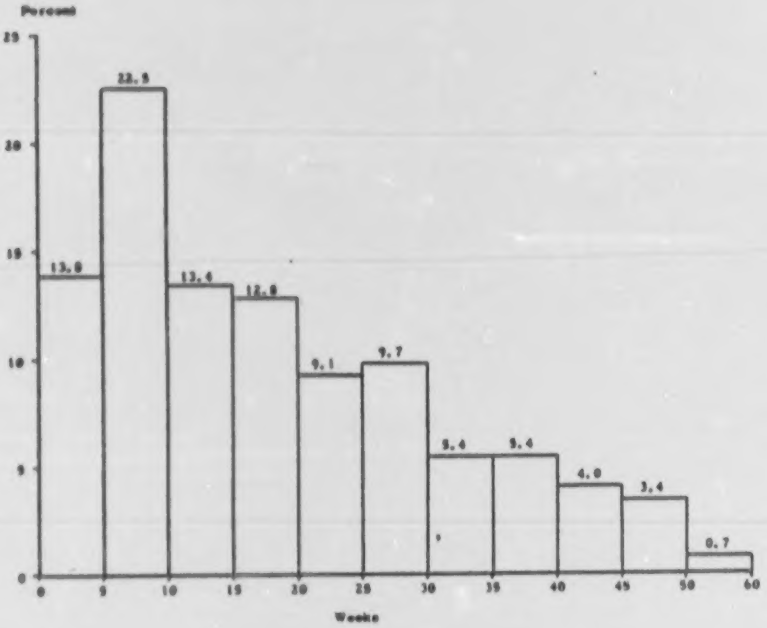


Figure V-6

(a)

Equity Members' Work Weeks in Covered Employment
Under Equity Contracts During 1975-76
(Sample Size = 298)



(b)

Equity Members' Work Weeks in Covered Employment
Under Equity Contracts During 1974-75
(Sample Size = 312)

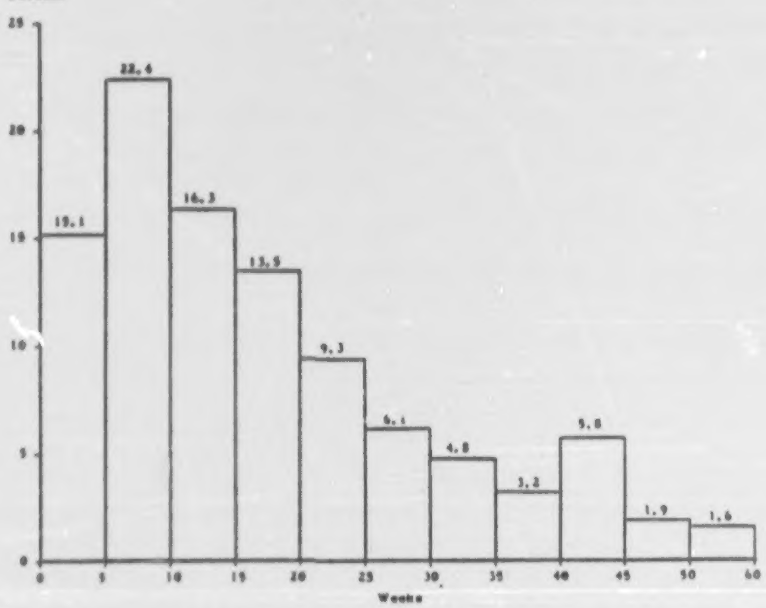
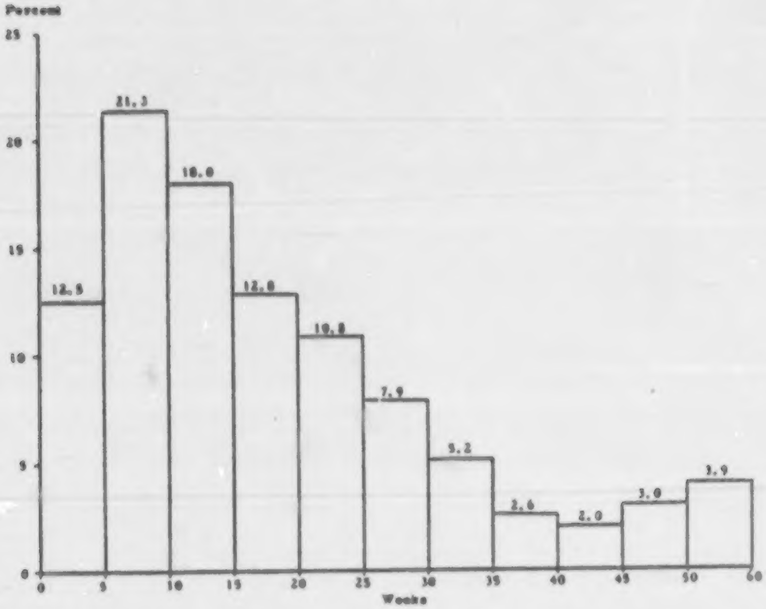


Figure V-6 (cont.)

(c)

Equity Members' Work Weeks in Covered Employment
Under Equity Contracts During 1973-74
(Sample Size = 305)



(d)

Equity Members' Work Weeks in Covered Employment
Under Equity Contracts During 1972-73
(Sample Size = 323)

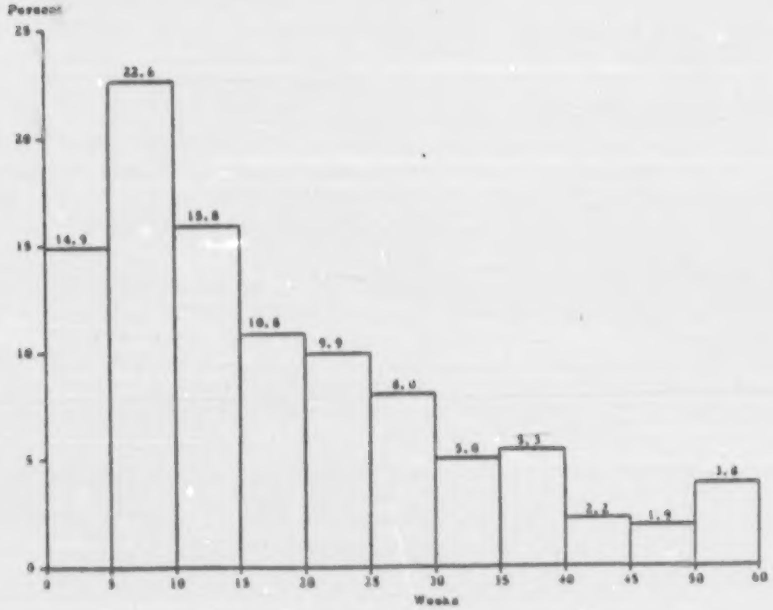
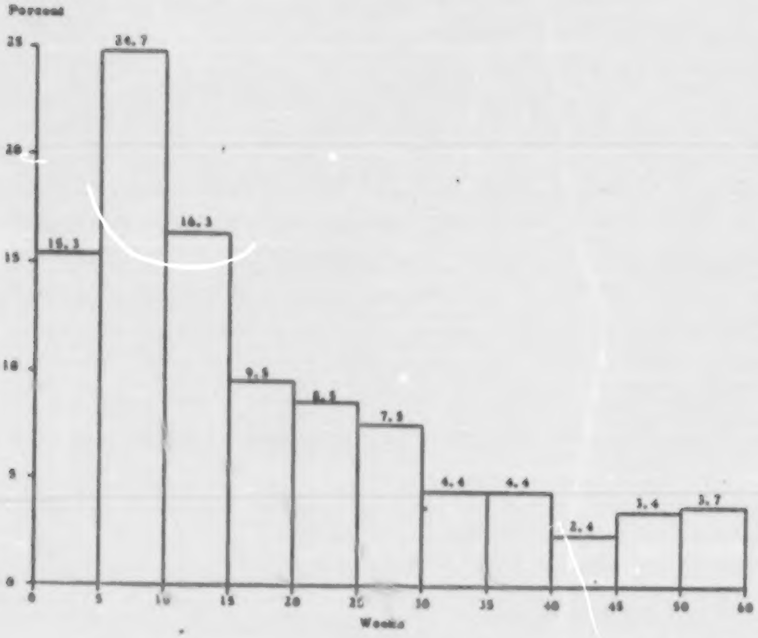


Figure V-6 (cont.)

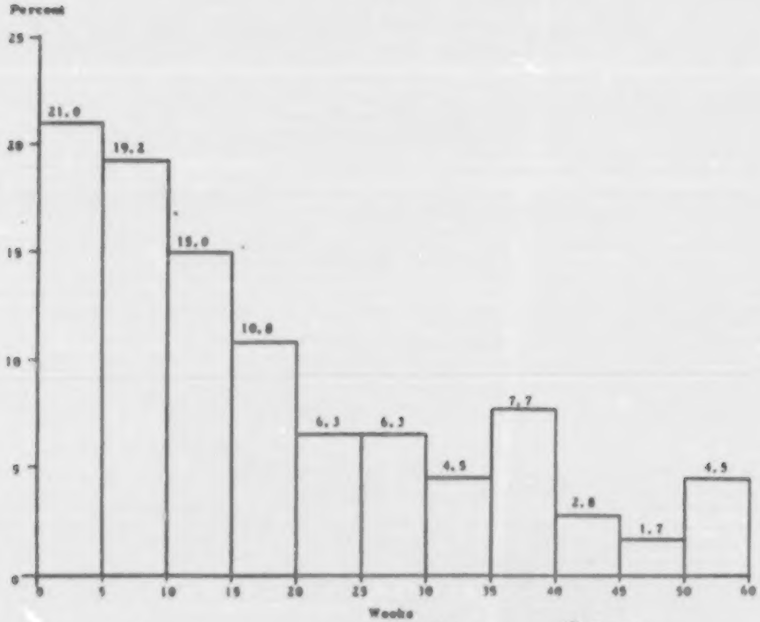
(e)

Equity Members' Work Weeks in Covered Employment
Under Equity Contracts During 1971-72
(Sample Size = 295)



(f)

Equity Members' Work Weeks in Covered Employment
Under Equity Contracts During 1970-71
(Sample Size = 286)



The data shown in Figures V-5 and V-6 report covered weeks for Equity members who worked in covered employment. In any year, there are a sizeable number of Equity members who do not work under Equity contracts in covered employment. Some may be working but not under Equity contract[1/] and others may not work at all.

An approximate estimate of the percentage of Equity paid-up members who did not work at all under Equity jurisdiction during 1975-76 can be obtained using the data that we have collected. In particular, in 1975-76, Equity work weeks per Equity member were about 9.3 weeks per paid-up member. (The Hewitt Report reports 160,828 work weeks for 1975-76 for 17,296 U.S. members.) This average number of work weeks per member should be equal to the work weeks per member of those not working (which is zero) times the percentage of paid-up members not working, plus the percentage of members working one or more weeks times the mean number of weeks worked. Since we know the mean number of weeks worked in 1975-76 (approximately 15.5) for a sample of members who did work during that year, we can estimate the percentage of paid-up Equity members who had employment under the Equity card, which we denote by "p", by solving the following equation for p:

$$(1 - p)0 + p\ 15.5 = 9.3$$

1/ Equity members might, for example, be working at other jobs (e.g., television, movies). Indeed, there is evidence that Equity's membership overlaps substantially with the memberships of unions in related industries, suggesting that there is a good deal of movement between employment in the theatre and employment in radio, television, and pictures.

When we obtain this, we obtain an estimated percentage of Equity members working at some time during the year of about 60 percent. This means that approximately 40 percent of Equity's paid-up membership did not work at all under Equity jurisdiction during 1975-76.

These figures certainly support the conclusion that actors, in general, face substantial uncertainty in theatre employment. There is a 40 percent chance that a paid-up member will not work at all in the theatre during any year, and if an actor works at all in the theatre during the year, the average annual employment duration is about 15 work weeks.

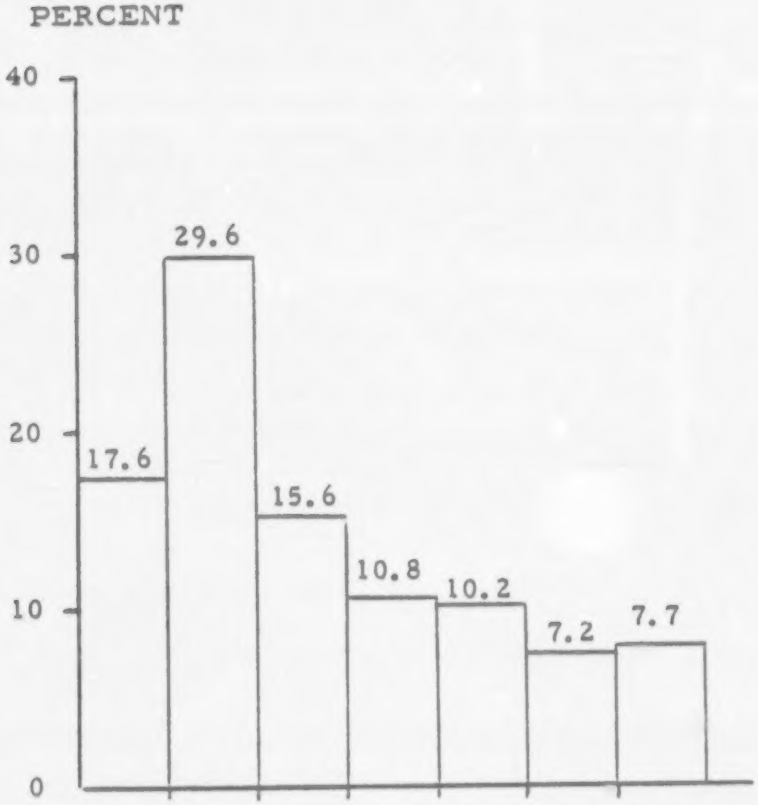
It is important to add that, by themselves, these figures do not establish that the actors are likely to be unemployed for long periods. As noted above, actors may find other employment during times they are not working in the theatre. Indeed, there is considerable evidence that some do this.

Other information, however, also leads to the conclusion that there is little employment security in the acting profession. For example, Census-BLS data on unemployment among actors regularly show annual unemployment rates ranging from approximately 30 to 50 percent which is consistent with the estimated unemployment rate of Equity members in Equity employment. Additional corroborating evidence is available in the data collected in the study recently completed by RFKG&A, 1/ which are depicted in Figure V-7. This figure shows the distribution of AEA member's number of days of work in the performing arts. It thus differs from Figures V-5

1/ See page V-11 for a brief description of these data.

and V-6 above in that it covers employment in all performing arts rather than only those under Equity jurisdiction. [1] Interestingly, the distribution shown in Figure V-7 is not greatly different from that shown prior for 1976 in Figure V-5. Both show that Equity members typically work for only a fraction of a year. Figure V-5 shows that this is so when only Equity jurisdictions are considered; Figure V-7 shows that this is so when paid employment in all performing arts is considered.

Figure V-7
Number of Days Actors' Equity Association Member Worked
in Performing Arts with Pay



Source: RFKG&A Table 012. "Don't Know/No Answer" accounts for remaining 1.2 percent of respondants.

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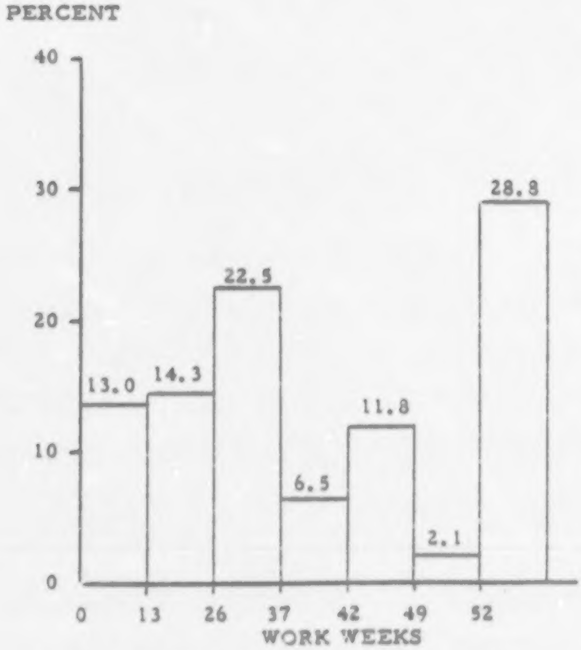
[1] Another (minor) difference is that Figure V-7 shows employment in days, whereas Figures V-5 and V-6 show employment in work weeks.

The situation is somewhat improved, however, when we examine data on all paid employment of Equity members, which have also been collected in the RFKG&A survey. A distribution based upon these data is shown in Figure V-8. This figure shows that when all paid employment (e.g., employment in teaching, theatre, waiting on tables, motion pictures, etc.) is taken into account, the median number of weeks of employment is about 37 weeks, and fully 28.8 percent of Equity members were employed full-time. While this is certainly comforting, recall (see Table V-4) that over 80 percent of Equity's members sampled said that they considered the performing arts to be their primary occupation, and Figures V-5 and V-7 show that they get only a fraction of their employment in the performing arts.

Figure V-8

Number of Work Weeks in Paid Employment of Actors' Equity Association Members



Source: RFKG&A Table 037.

371

2. Employment in Other Unions

As was noted above, most of our data on employment pertain to members of Actors' Equity Association. We have, however, collected some limited data on theatre employment of members of American Federation of Musicians Local Number 802 and members of the Association of Theatrical Press Agents and Managers.

a. Musicians

Our data on musicians are sample data from some of the files of the American Federation of Musicians' and Employers' Pension and Welfare Fund. We did not obtain data on total employment (as measured, for example, by total work weeks) although such data can be computed from AFM and EPW fund records. The files that we sampled report monthly earnings in each year back to 1961 of individual Local 802 musicians working at least once on Broadway or Out-of-Town. We have analyzed these data to show the distribution of annual employment and annual earnings from 1976 employment of members of Local 802 on Broadway and Out-of-Town.

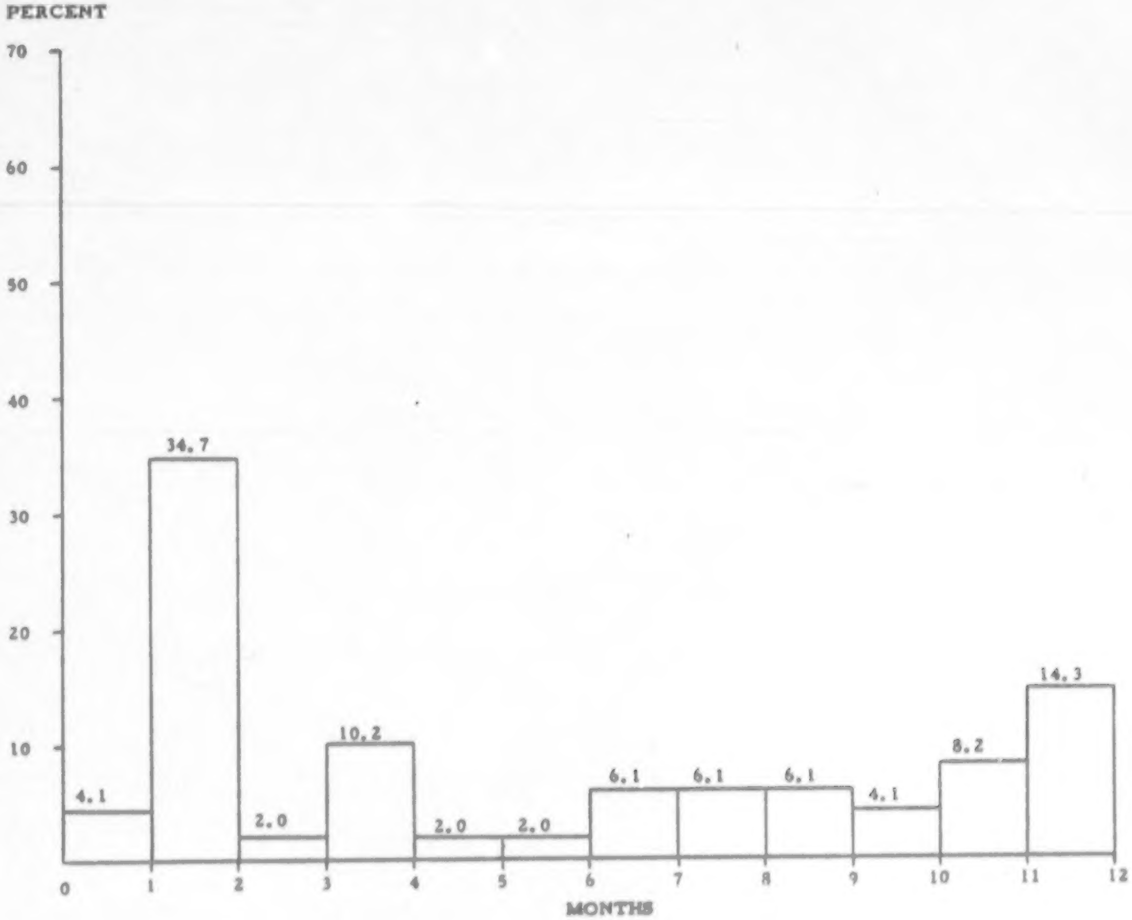
The results of our analysis of employment are depicted below in Figure V-9, which shows a sample distribution of work months on Broadway and Out-of-Town for members who worked at least once during 1976. It is important in this regard that the meaning of "work months" be clear. A "work month" is an 802 member working at any time during a month. For example, one member playing at all performances of a show during a month is one work month; one member filling in for a sick member one time during a month, but otherwise unemployed, is also one work month.

Figure V-9

Work Months of Musicians (Local 802)

On Broadway and Out-of-Town in 1976

(Sample Size = 49)



It is evident that the work month, like the work week, is not a very exact measure of individual employment.

As is apparent from Figure V-9, the median of the sampling distribution of work months of 802 members working on Broadway during 1976 is about 4 months and the mean is about 5.9 months. While the work month (for reasons explained above) is a very inhomogenous measure of employment, it does seem fair to conclude from our sample that Broadway theatre employment is -- either by choice or by necessity -- not a very steady source of employment for individual musicians.

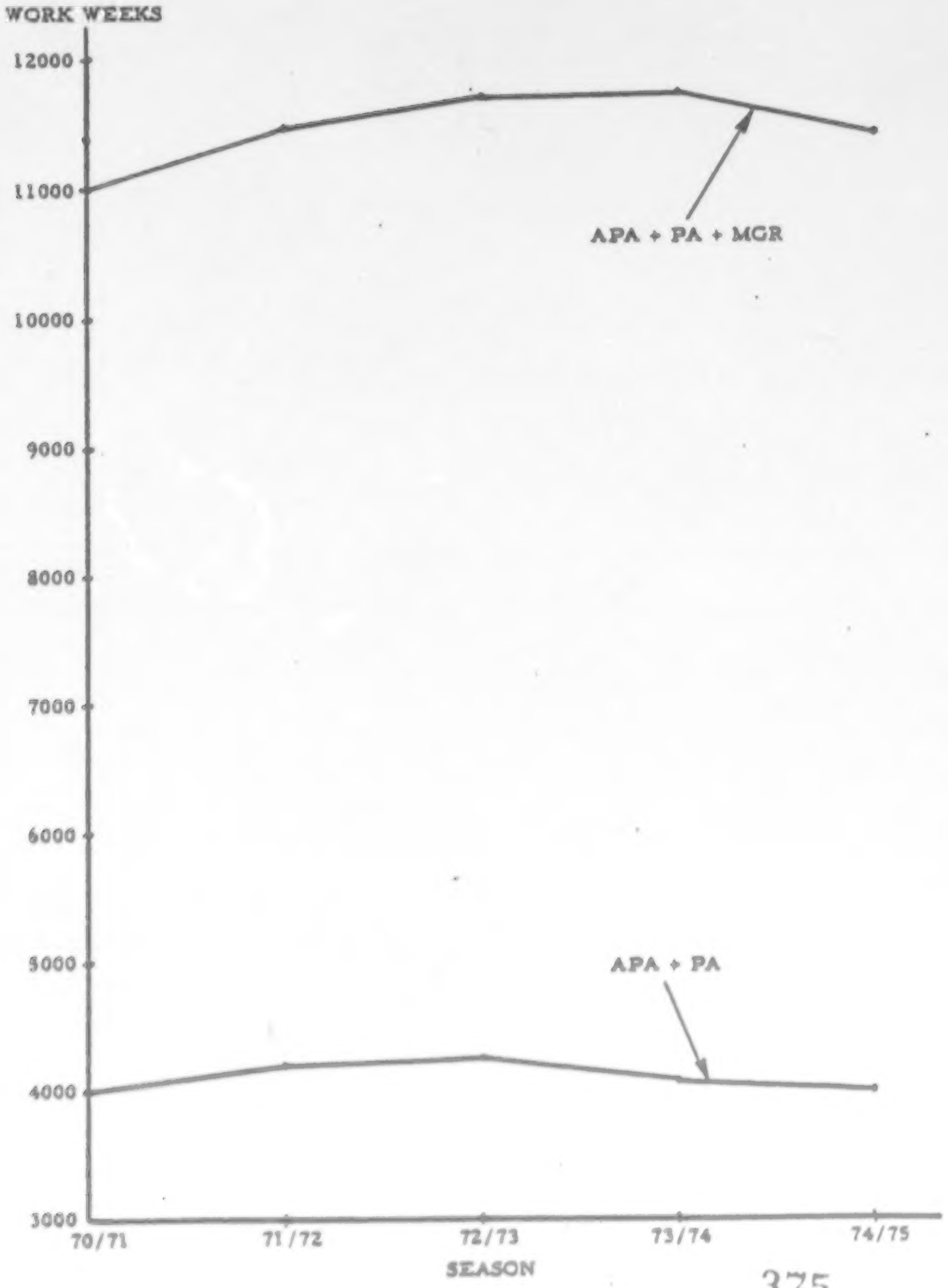
Unfortunately, there is no meaningful way, using the data we have collected, to estimate employment rates or percentage of members working at least once in the theatre comparable to the figures we have estimated using data on Actors' Equity Association members. This is because AFM members work in a variety of employments (e.g., clubs, recordings, radio and television, private parties, etc.) other than theatrical employment.

b. Press Agents and Managers

Data on employment of members of the Association of Theatrical Press Agents and Managers (ATPAM), Union Number 18032, have been collected. These data show both total work weeks of members in ATPAM employment and the distribution of work weeks.

In Figure V-10 below, we have plotted data on the total number of work weeks of press agents and press managers over the period 1970-71 through 1974-75. In contrast to data on work weeks for Actors' Equity Association members, these data show remarkable stability in the aggregate.

Figure V-10
Total Work Weeks - ATPAM Members
1970-71 to 1974-75

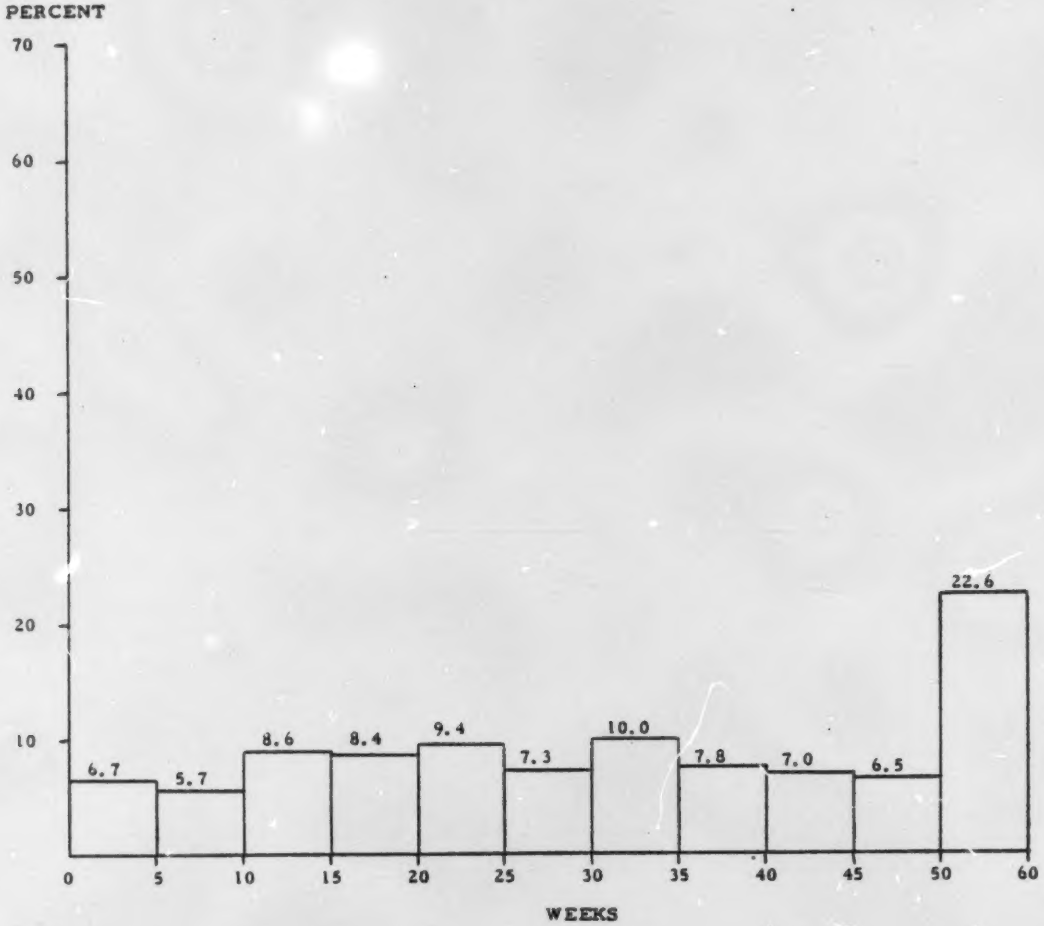


Data on individual employment also show stability relative to that we have examined for other theatre occupations, although stability is not great in comparison with that in other professions in our economy. In Figure V-11 below, we show the distribution of work weeks in ATPAM employment for all ATPAM members working at least once in 1974-75. Approximately 70 percent of ATPAM's members work at least once during the year in ATPAM's jurisdiction. As can be seen from this figure, over one-fifth of ATPAM's members who worked at least once during the year were employed for between 50 and 52 weeks during the 1974-75 year. This is quite high in relation to the percentages we have observed for AFM and AEA members. Moreover, the median employment of about 32.5 weeks is also relatively high. (Recall that the median for AEA members who worked at least once during 1975-76 was about 15.5 work weeks, and for AFM members working at least once was about 4 work months.)

D. Compensation

There are several different indicators of compensation obtained from employment in the professional theatre, including wage rates, annual income earned in the theatre, and annual income earned in all employment. Each of these indicators reflects a different aspect of compensation in the theatre. Weekly wage rate data show the progression of pay rates over time in various theatre occupations. An examination of these data (which we undertake below) will show that pay rates in the theatre occupations for which we have data have generally kept up with the cost-of-living since the mid-1960's.

Figure V-11
ATPAM Members' Work Weeks in 1974-75



377

Another aspect of compensation is average annual income earned in theatre occupations. Annual compensation is affected by two factors: wage rates and employment. If, for example, weekly wage rates increase and weeks of employment decrease in the same proportion over some period, annual compensation would be unaffected (i.e., remain the same amount). Our examination of annual theatre compensation data will provide some evidence that trends in pay rates have been offset partially by decreases in employment opportunities over the period 1964-65 to 1975-76.

Our data on pay rates comes directly from union contracts. These contracts establish minimum rates for performance of certain services by the various theatre occupations. As noted above, these data show that pay rates in the theatrical occupations have kept pace with the cost of living.

Our data on annual compensation come from two different sources. First, we have some data which allow us to infer what the total wage bill (and the wage bills for selected types of labor) have been over the years in the commercial Broadway theatre and in the non-profit theatres covered by the Ford Foundation Survey of Finances in the Performing Arts.

The second kind of data we shall draw upon is data on individual union members' income as reported in the records of various pension and welfare funds. We have collected data of this type on members of Actors' Equity Association, the American Federation of Musicians, ATPAM, Stagehands Local No. 1, and Ushers and Doormen Local No. B 183 (IATSE).

1. Wage Rates in the Theatre Occupations

To see the progression of pay rates in the theatre occupations over the past 10 to 15 years, we have collected and analyzed data on union minima under selected contracts. We have also computed some rough weekly average rates of pay, which reflect not only the various minima, but also the distribution of employment among contracts to which the minima apply.

The data we have examined on pay rates are shown below in Table V-6, which reports the rate of growth of pay rates over the last 10 to 15 years (in column 1 of the table), the years over which this growth rate has obtained (in column 2 of the table), a recent level of the weekly pay rate (in column 3 of the table), and the year in which this pay rate was in effect (in column 4 of the table). All pay rates shown in the table are contractual minima.

Two main conclusions emerge from examination of the data shown in Table V-6. First, we see that, in general, wage rates in the theatre occupations have increased more rapidly than has the general price level. The general price level, as measured by the consumer price index, increased at an average annual rate of approximately 5.15 percent per year over this same period. This means that the purchasing power of minimum weekly wages in the occupations we have examined has increased for most occupations over the recent past.

Second, we note that the minima shown in Table V-6 could produce an annual income that is in line with the low end of pay scales in other professions. For example, a weekly minimum rate of pay of $250 earned for 52 weeks would produce a minimum annual salary of $13,000. This calculation is misleading, however because it does not take into account

Table V-6

Growth Rates and Levels for Selected Weekly Salary Rates

	Rate of Growth of Weekly Salary (%)	Years Used to Compute Growth Rate	Current Minimum Weekly Salary ($)	Year of Current Weekly Salary
Broadway				
Actors	8.02	1964-1977	355.00	1977-1978
Actors - Road*	9.05	1964-1977	547.00	1977-1978
Stage Manager - Musical	6.34	1964-1977	600.00	1977-1978
Stage Manager - Drama	6.65	1964-1977	505.00	1977-1978
Press Agent	4.91	1964-1976	502.00	1976-1977
Manager	5.79	1964-1976	400.00	1976-1977
Stagehand - Dept. Head	6.78	1964-1977	409.13	1977-1978
Stagehand - Asst. Dept. Head	6.71	1964-1977	360.97	1977-1978
Stagehand - Flyman	6.76	1964-1977	340.92	1977-1978
Stagehand - Portable Board	6.53	1964-1977	312.90	1977-1978
Musicians - Contracted House - Musical	6.02	1964-1977	380.00	1977-1978
Musicians - Contracted House - Drama	5.90	1964-1977	290.00	1977-1978
Musicions - Out-of-Town	6.99	1964-1977	580.00	1977-1978
Ushers	6.76	1964-1974	78.91	1974-1975
Chief Usher	6.40	1964-1977	94.60	1974-1975
Treasurer	6.63	1964-1976	395.00	1976-1977
Head Porter	6.15	1964-1977	179.50	1977-1978
Wardrobe Supervisor	6.43	1964-1976	267.00	1976-1977
Engineer	6.34	1964-1977	343.20	1977-1978
Regional Theatre				
Actors - LORT A	5.15	1966-1977	242.25	1977-1978
Actors - LORT B	5.25	1966-1977	216.25	1977-1978
Actors - LORT C	6.14	1966-1977	203.50	1977-1978
Actors - LORT D	6.60	1966-1977	182.30	1977-1978
Stage Manager - LORT A	3.68	1966-1977	378.35	1977-1978
Stage Manager - LORT B	4.09	1966-1977	265.00	1977-1978
Stage Manager - LORT C	4.98	1966-1977	228.55	1977-1978
Stage Manager - LORT D	5.38	1966-1977	209.20	1977-1978

*Salary includes expenses while on tour.

the fact that many people working in the theatre do not have anything near 52 weeks of employment per year. This was shown quite clearly by the data we examined in Section C. We shall see in data reported below that when employment is taken into account, earnings fall well below the theoretical minimum that could be obtained from steady employment.

Another perspective on weekly wage rates can be obtained by examining average weekly earnings, which is computed by dividing annual earnings by annual work weeks. As noted above, average weekly earnings data reflect both the minima that apply to different types of contracts and the distribution of employment between the different types of contracts which these wage rates apply.

Figure V-12 shows the distribution of average weekly earnings in Equity jurisdictions of a sample of members of Actors' Equity Association in 1976. This sample includes members employed as actors, stage managers, and chorus. As this figure shows, fully 40 percent of the members in our sample had average weekly wages of less than $250, and our sample includes only members who worked at least once during the year. The mean average weekly earnings computed from the data reflected in this figure is about $305 per week.

Figure V-13 shows the distribution of average weekly earnings of employed Equity members in Equity jurisdictions for the years 1970 to 1975. A comparison of the various panels in this figure shows that the distribution observed in 1976 is quite different from that in earlier years. In particular, the percentage of members with average weekly earnings of less than $250 is much larger in early years. This is perhaps most dramatically shown by

Figure V-12

Equity Members' Average Weekly Wage During Covered Employment in 1976 Under Equity Card

(Sample Size = 30)

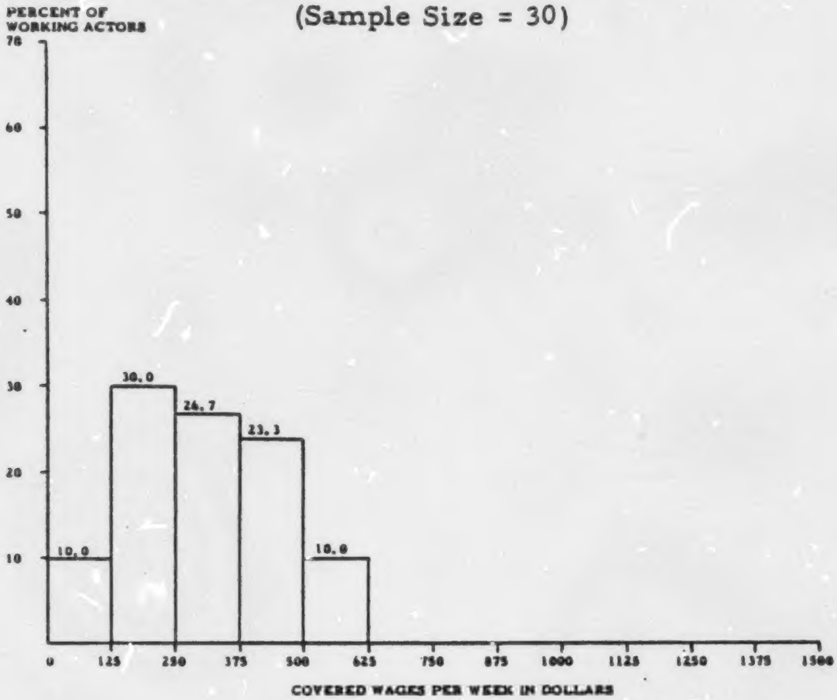


Figure V-13

(a)

Equity Members' Average Weekly Wage During Covered Employment in 1975 Under Equity Card

(Sample Size = 33)

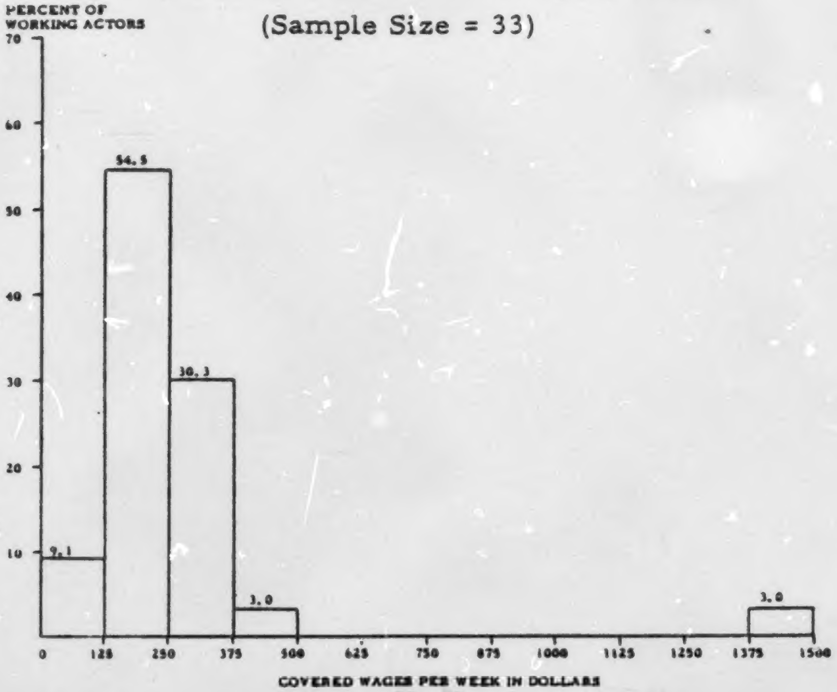
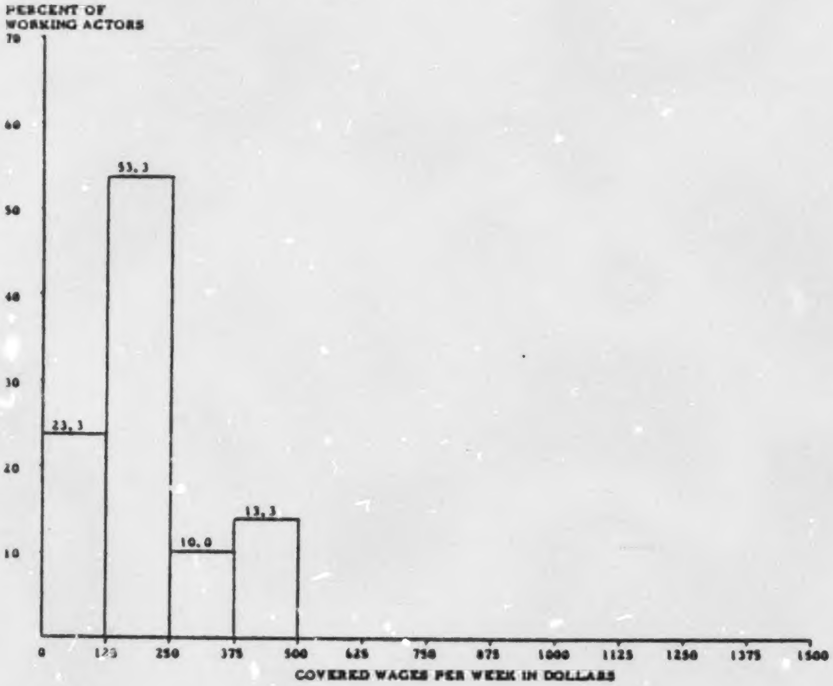


Figure V-13 (cont.)

(b)

Equity Members' Average Weekly Wage During Covered Employment in 1974 Under Equity Card

(Sample Size = 30)



(c)

Equity Members' Average Weekly Wage During Covered Employment in 1973 Under Equity Card

(Sample Size = 25)

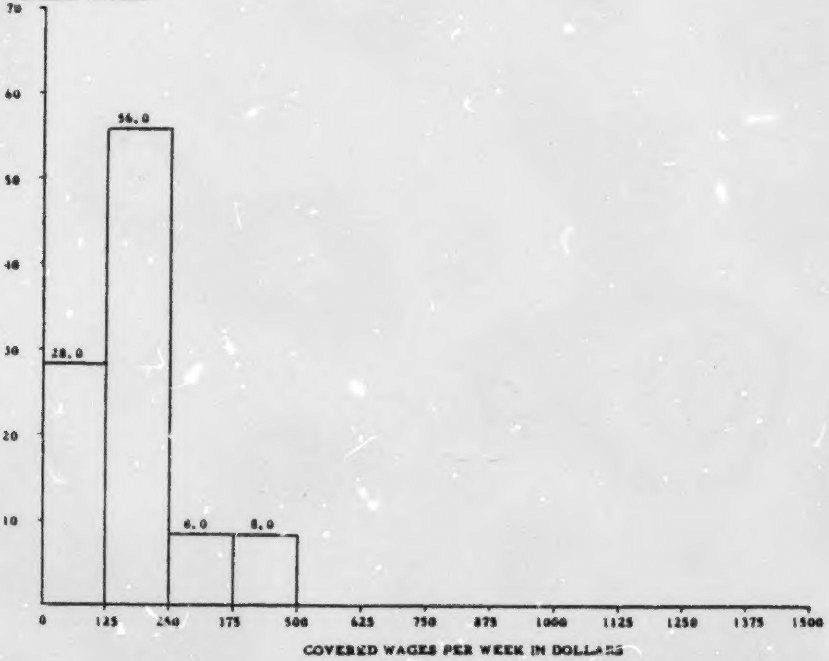
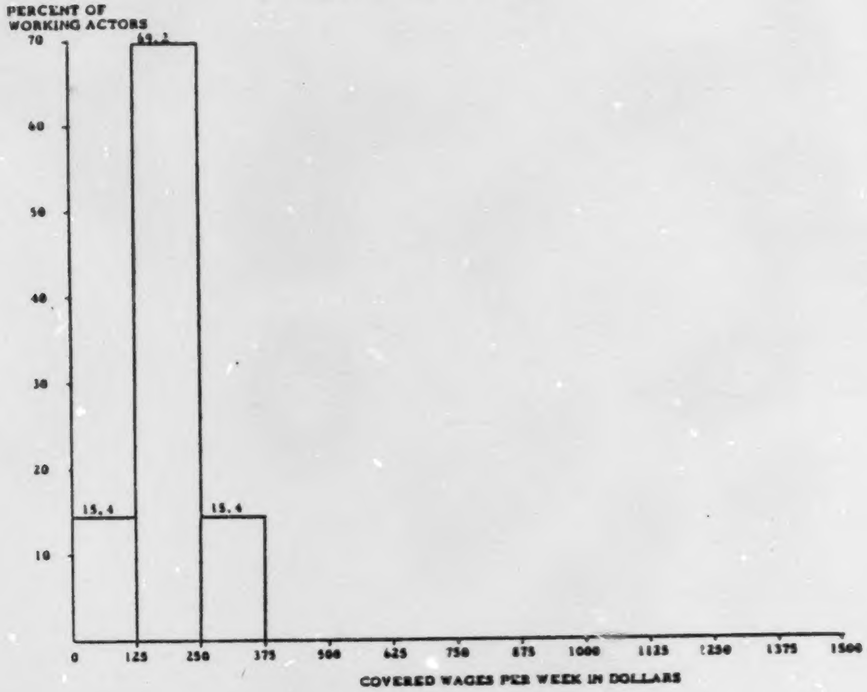


Figure V-13 (cont.)

(d)

Equity Members' Average Weekly Wage During Covered Employment in 1972 Under Equity Card

(Sample Size = 26)



(e)

Equity Members' Average Weekly Wage During Covered Employment in 1971 Under Equity Card

(Sample Size = 24)

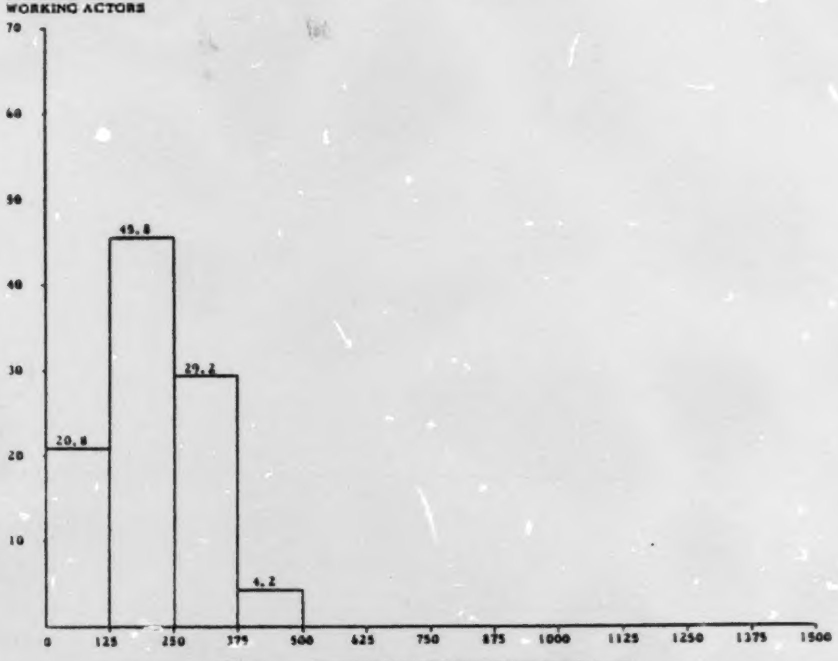


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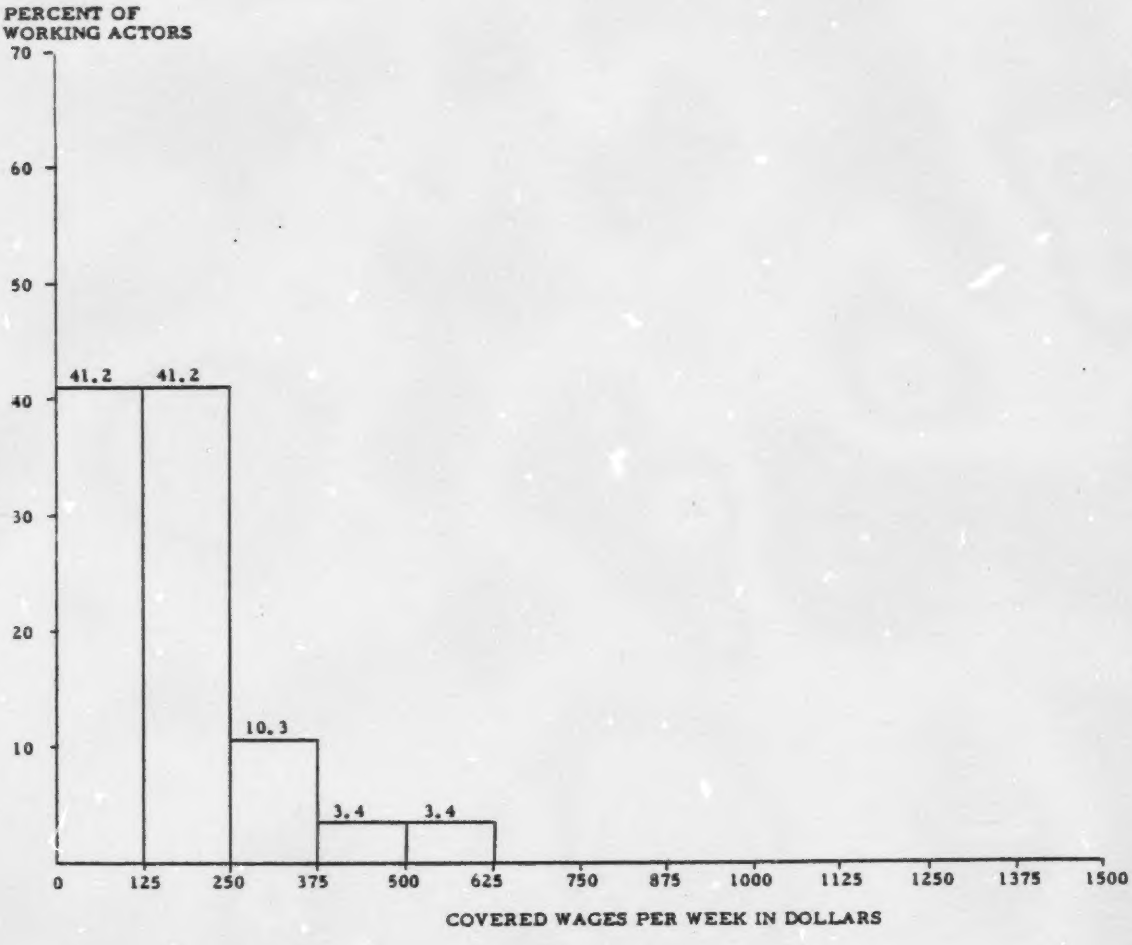
Figure V-13 (cont.)

(f)

Equity Members' Average Weekly Wage During Covered Employment in 1970 Under Equity Card

(Sample Size = 29)



the pattern of mean average weekly earnings over the years reported below in Table V-7.

Table V-7
Mean Average Weekly Earnings

1970	$170
1971	$208
1972	$188
1973	$182
1974	$204
1975	$258
1976	$304

While these data are based upon a very small sample and therefore subject to substantial sampling error, they do show that mean weekly earnings remained in the vicinity of $200 per week worked or less until the recent upswing on Broadway and the Road. The more recent figures may thus reflect abnormally good times, if such the last year or two turn out to be.

2. Union Members' Annual Income

Contractual wage rates alone do not determine how much an individual working in the theatre will make in any given year. Of equal or greater importance is the individual's success in finding work. While the theoretical minimum annual incomes available under most of the union contracts seem adequate (the theoretical minimum annual income for an actor under the Production Contract working during 1976-77 would have been $14,820, i.e., 52 x $285), very few theatre employees actually earn this theoretical annual minimum. Data from a number of pension and welfare funds reported below show that median income earned in theatre employment typically are well-below $10,000 per year.

a. Actors' Equity Association

Our data on annual earnings of members of Actors' Equity Association are taken from a small sample of Equity members working in covered employment. As was explained earlier (see footnote 1 on page V-24), virtually all Equity employment is covered today. However, there are two exclusions from income in the Equity-League Pension and Welfare Fund data which we have used that tend to result in understatement of income. First, only wage income up to $1,500 per week is covered, and therefore reflected in Equity-League earnings data. Second, some actors receive percentages of the box office gross or shares of profits in addition to salary income.

Income thus received is also not reflected in the Equity-League data. In view of the relatively small number of actors to whom these exclusions apply, the bias probably is not serious.

Figure V-14 shows the sampling distribution of covered income of Equity members working in covered employment in 1976-77. It is important to keep in mind that this distribution pertains only to members who actually worked at least once during the year. Recall from our discussion in Section C above that approximately 40 percent of Equity's members did not work at all in covered employment during the year.

As Figure V-14 shows, the average covered income in 1976-77 was quite low, the median income being less than $5,000 and the mean (based on computations on the sample data) was about $4,443. By way of reference, the U.S. Bureau of the Census official poverty level income in 1976 was about $5,815, [1/] and the average income of government employees was about $12,525. Only about 9 percent of the Equity members in our sample had covered incomes from Equity jurisdictions that were this high.

An examination of Figure V-15, which shows the sample distribution of covered income for the years 1970-71 through 1975-76, shows that the low incomes found in 1976-77 are no fluke. Median income of those employed is consistently less than $5,000, and mean income never exceeds $4,500. The conclusion that the vast majority of actors working in the theatre do not earn adequate incomes from this source alone is inescapable.

1/ For a family of four not living on a farm.

Figure V-14

Annual Covered Income of Equity Members Employed
Under Equity Contracts During 1976-77
(Sample Size = 325)

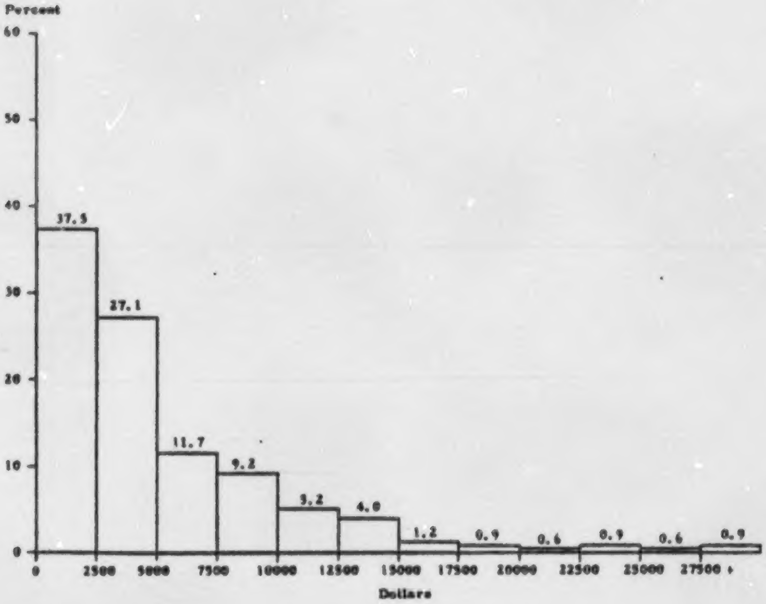


Figure V-15
(a)
Annual Covered Income of Equity Members Employed
Under Equity Contracts During 1975-76
(Sample Size = 298)

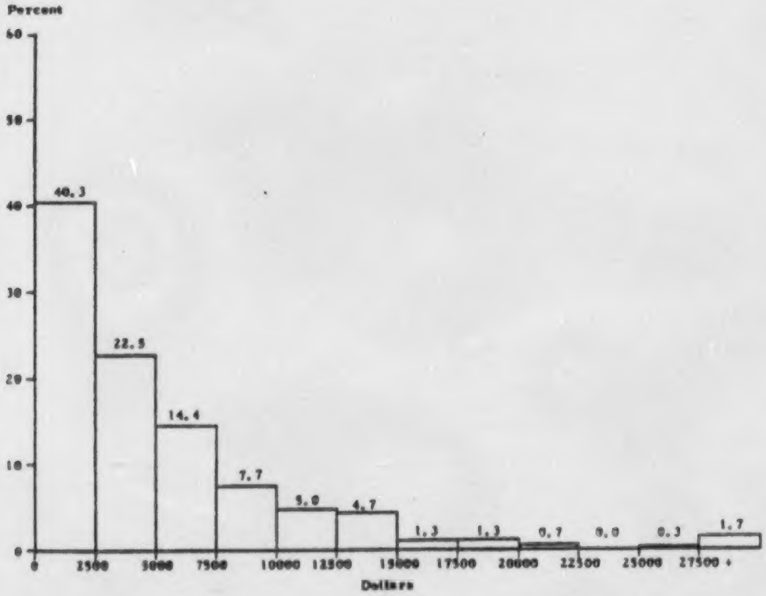
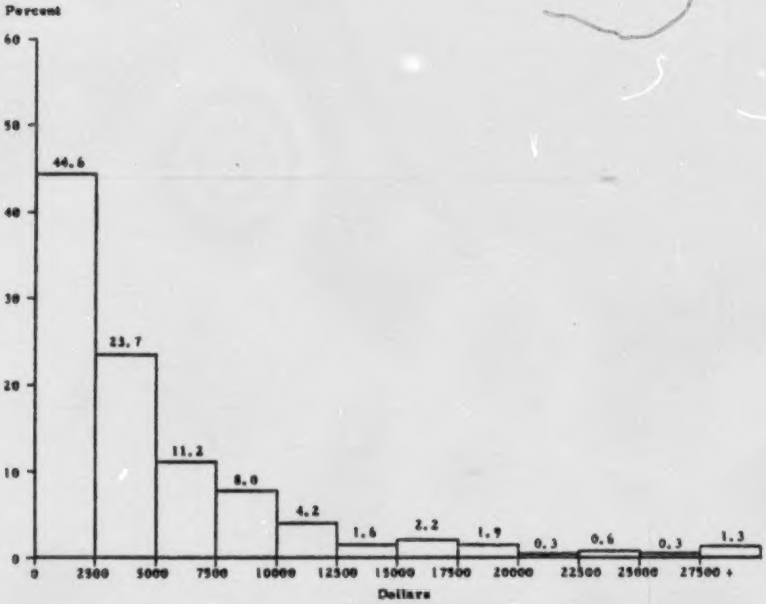


Figure V-15 (cont.)

(b)

Annual Covered Income of Equity Members Employed Under Equity Contracts During 1974-75

(Sample Size = 312)



(c)

Annual Covered Income of Equity Members Employed Under Equity Contracts During 1973-74

(Sample Size = 305)

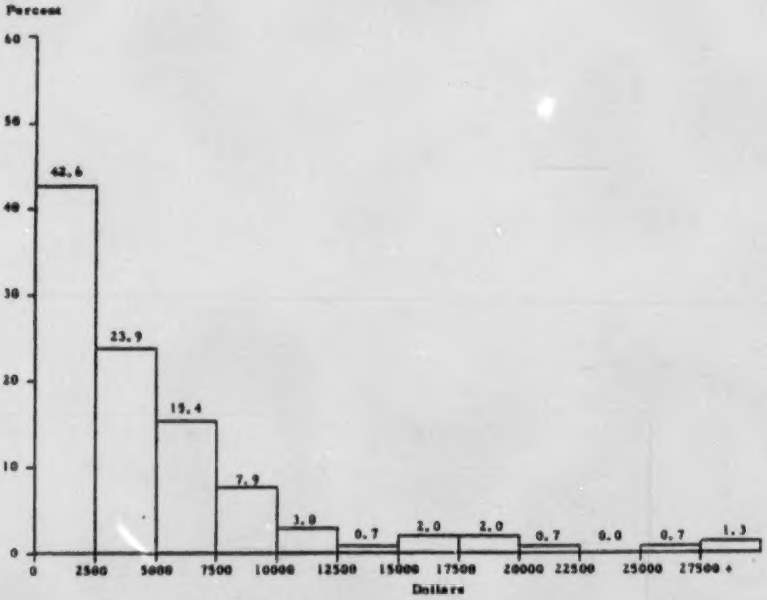
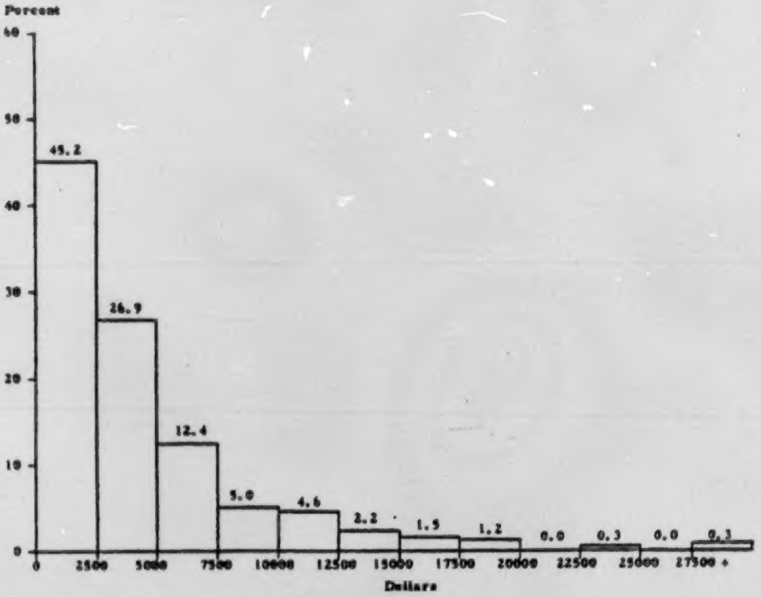


Figure V-15 (cont.)

(d)

Annual Covered Income of Equity Members Employed Under Equity Contracts During 1972-73

(Sample Size = 323)



(e)

Annual Covered Income of Equity Members Employed Under Equity Contracts During 1971-72

(Sample Size = 295)

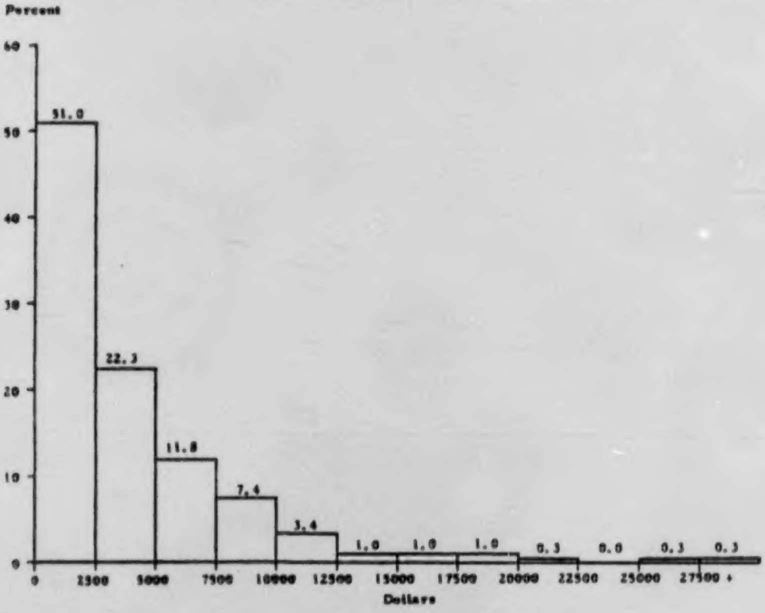
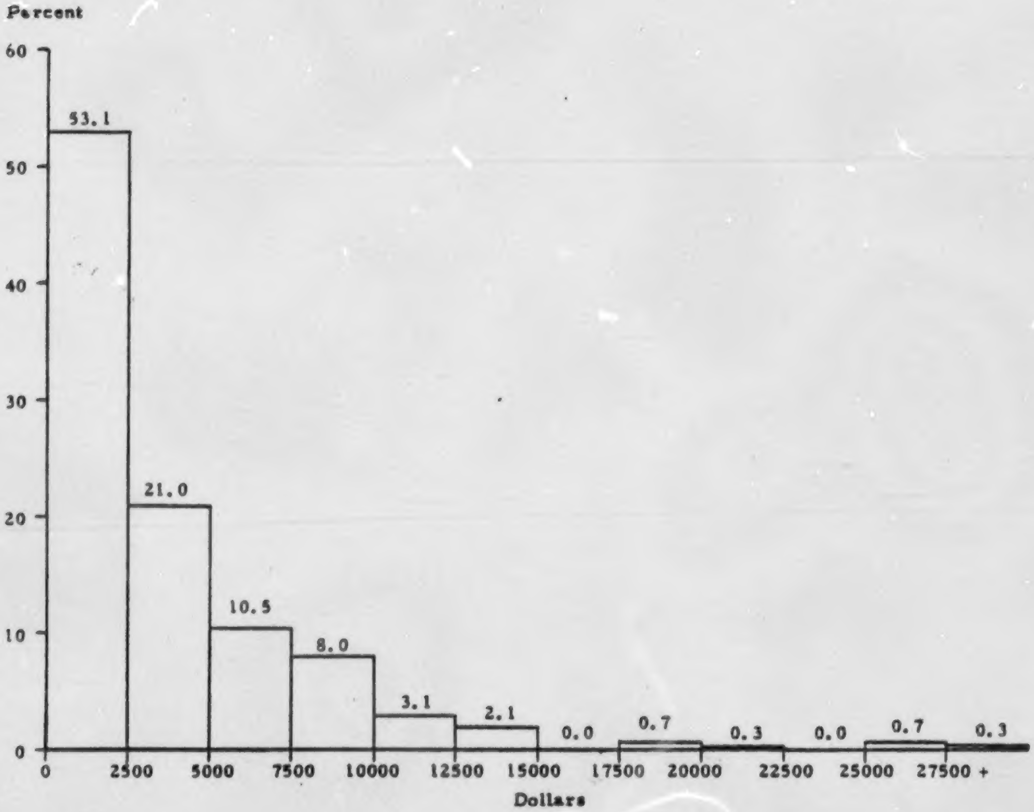


Figure V-15 (cont.)

(f)

Annual Covered Income of Equity Members Employed Under Equity Contracts During 1970-71

(Sample Size = 286)



Additional perspective on the income of members of AEA is provided by the survey data collected by RFKG&A. [1] Figure V-16 shows the size distribution of income from all sources of the Equity members sampled by RFKG&A. A comparison of this figure with Figure V-14 (which shows income of a sample of Equity members from Equity jurisdictions) reveals that the median income of members from all sources is a little over $7,000, or about 75 percent greater than that earned in Equity jurisdictions alone. It is apparent then that Equity members do rely on employments other than under Equity jurisdictions for a substantial part of their income. In addition, computations based on RFKG&A data show that only about 60 percent of the average Equity member's income comes from employment in the performing arts.

b. American Federation of Musicians, Local 802

Our data on annual covered income of members of AFM Local Number 802 are taken from a sample of records from the AFM and EPW Fund. The data we have obtained pertain only to those AFM Local 802 members who worked at least once on Broadway or Out-of-Town during 1976, and reports only income received from these sources; it says nothing about the income of members not so employed and nothing about the income that members working on Broadway or Out-of-Town in 1976 may have received from other sources during the year.

The sample data we have obtained are shown in distribution form in Figure V-17. As this figure shows, the median income of members working

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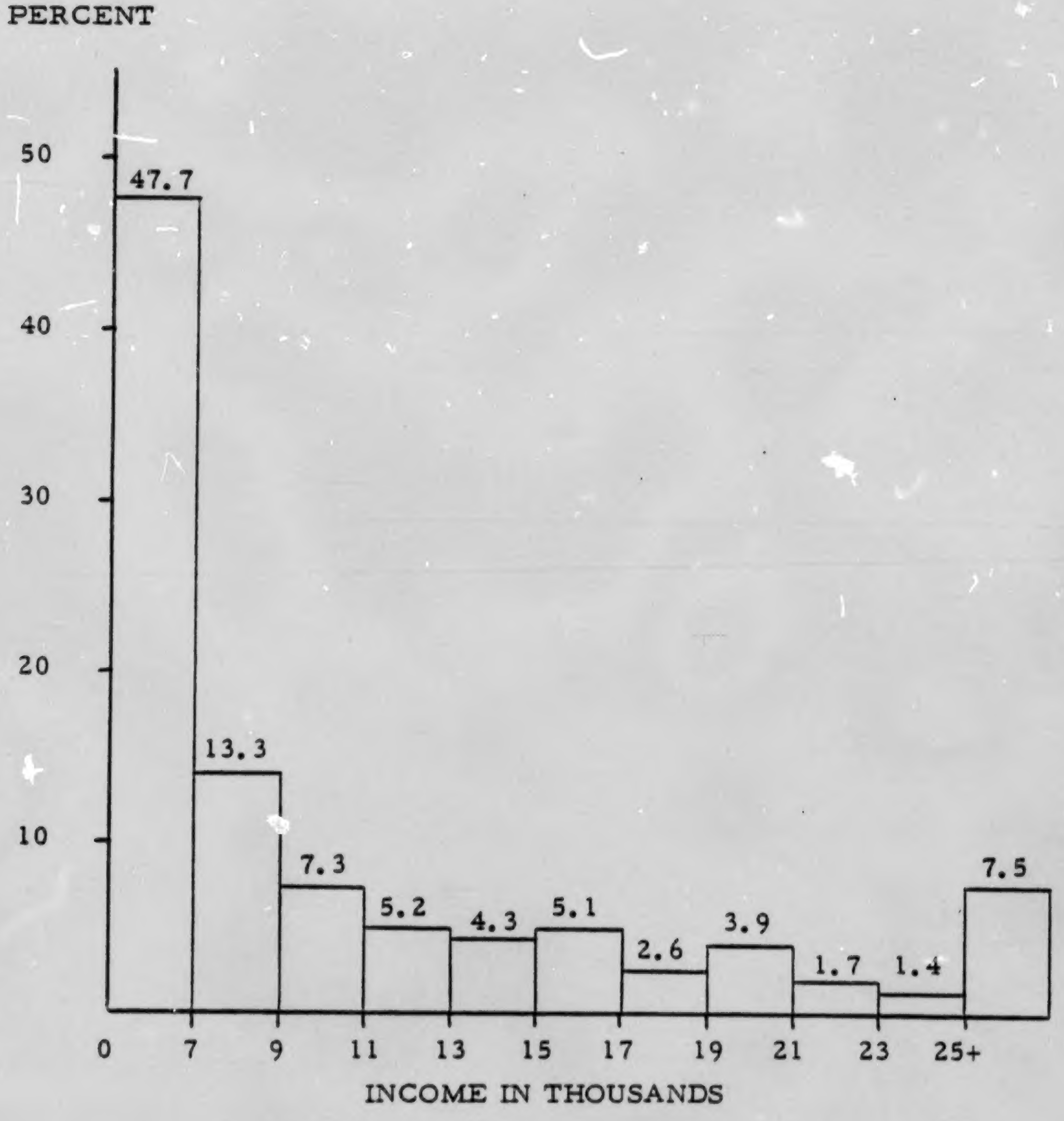
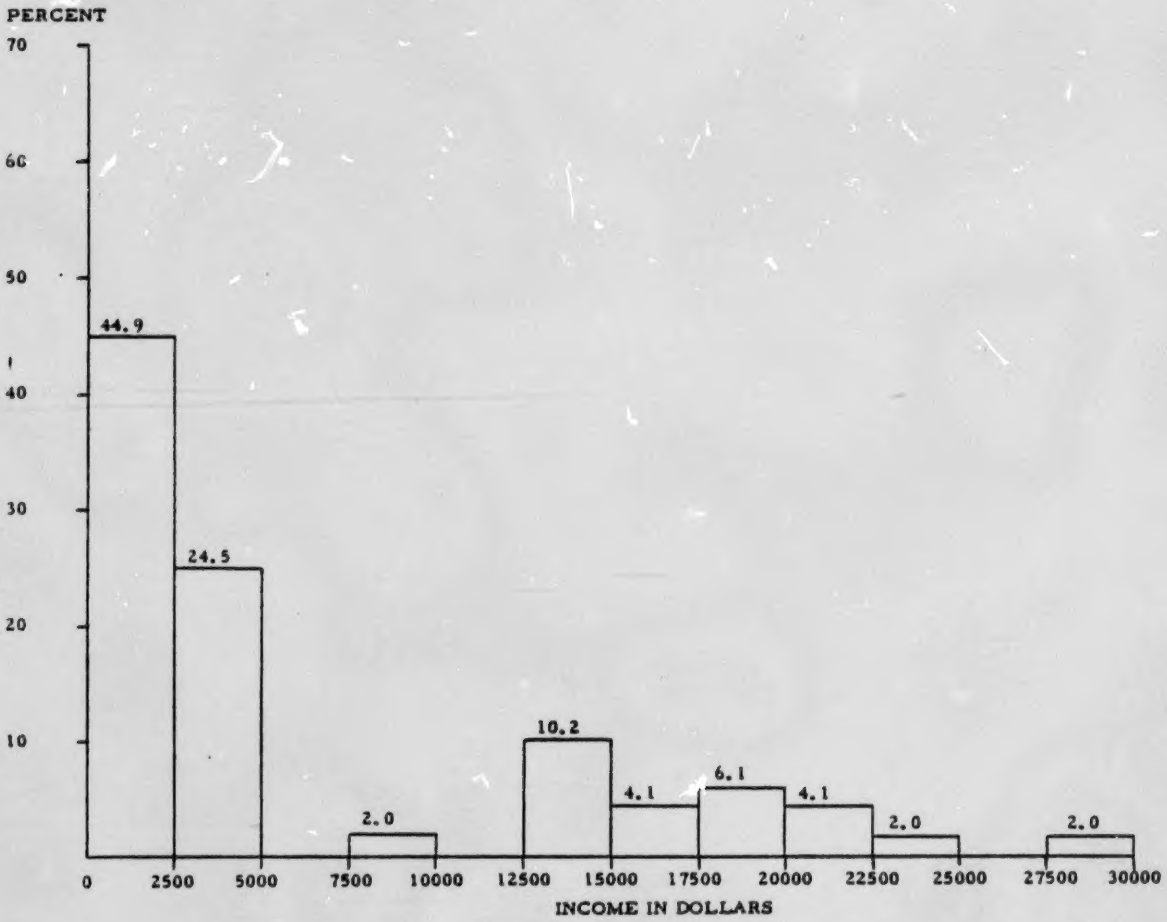
[1] The RFKG&A survey is described briefly on page V-11 above.

Figure V-16
Income From All Sources of Actors' Equity
Association Members in 1976



Source: RFDG&A Table 047.

Figure V-17
Income of Musicians (Local No. 802) From Employment on Broadway and Out-of-Town in 1976
(Sample Size = 49)



on Broadway or on the road at least once during 1976 was below $5,000, and computations based on the raw data reveal that the mean income in our sample is about $8,485.

Our sample data show that approximately 25 percent of those working had an annual income from this source of employment of over $12,500. This is in marked contrast to the results shown by our sample of Actors' Equity members, which shows that in no year did more than 10 percent of the sample members have income from employment in covered Equity jurisdictions exceeding $12,500.

One should, however, be wary of direct comparisons of the distribution of incomes of musicians with that of actors, since the distribution shown for musicians probably tends to understate matters somewhat. Many of the low incomes shown in Figure V-17 probably result from planned temporary employment (which might occur, for example when a regular member of a show orchestra is sick or goes on vacation). Among actors, such substitutions typically come from the existing cast through use of an understudy, and there is thus usually no temporary replacement. While our sample is quite small, we conclude that the portions of the theatre we examine provide reasonably adequate incomes to those musicians who work there.

c. Press Agents and Managers

Our data on annual income of Press Agents and Managers earned from employment under the ATPAM jurisdiction covers all members of

ATPAM working in ATPAM's jurisdiction in 1974-75 (i.e., it is not taken from a sample of members). Data showing the distribution of members' ATPAM incomes are depicted in Figure V-18. As this figure shows, the median income of ATPAM members from employment under the ATPAM jurisdiction was between $10,000 and $15,000 during the 1974-75 year. The mean income for this year was approximately $12,675 and over 30 percent of the membership had incomes from ATPAM employment of $15,000 or more.

An examination of similar data for earlier years (1970-71 through 1973-74) show roughly the same income distribution. Relative to the incomes that members of other unions earn in theatre jurisdictions, ATPAM members seem to fare reasonably well. Nonetheless, a not-insignificant fraction of the total (about 18 percent) earn incomes of less than $5,000.

d. Stagehands

Our income data on stagehands are for a sample of members of Local Number 1, in New York, covering incomes earned under the Local Number 1 jurisdiction during 1976. The income data we have obtained pertain both to income earned in the Local No. 1 Broadway theatre jurisdiction and other Local No. 1 jurisdictions as well (e.g., television and shops). Our sample covers Local No. 1 members who worked at least once in a Local No. 1 Broadway theatre jurisdiction.

The distribution of a sample of Local No. 1 members' incomes from Local No. 1's Broadway theatre jurisdiction is shown in Figure V-19. As noted above, only members working at least once in this jurisdiction were included in our sample. An examination of Figure V-19 shows that in 1976

Figure V-18

Distribution of Income From ATPAM Employment of ATPAM Members - 1974-75

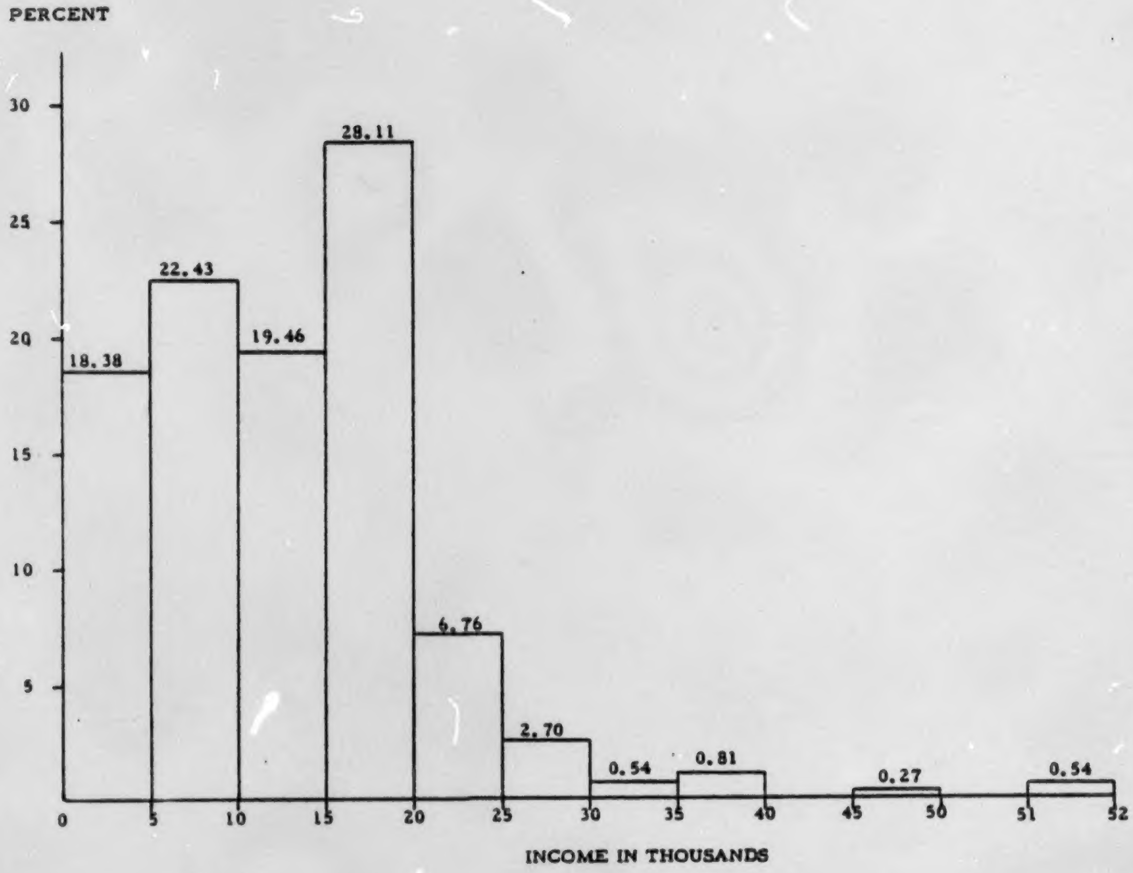
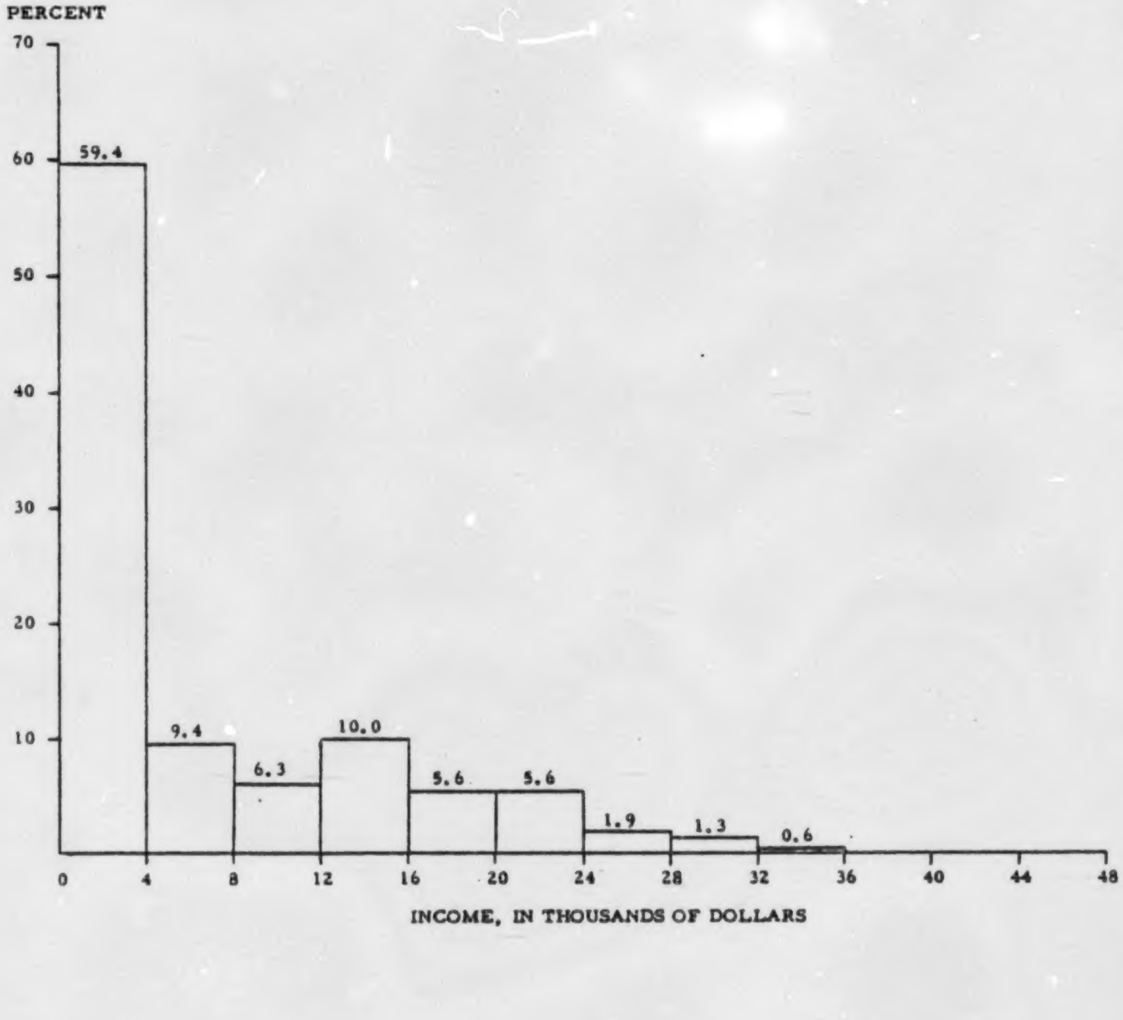


Figure V-19

Broadway Theatre Income of Stagehands (Local No. 1) in 1976

(Sample Size = 160)



the median income from Broadway employment of members working at least once in the Broadway theatre jurisdiction was less than $4,000. However, computations based on the data reflected in Figure V-19 show that the mean income was about $7,110, and that over 20 percent of the sample had incomes in excess of $12,000 per year.

As we believe to be the case for musicians (see page V-57 above), many Local No. 1 members earn incomes from employment in areas other than the Broadway theatre. Data we have collected on the total incomes of the same members whose Broadway income distribution is shown in Figure V-19 above are shown in Figure V-20 below. As these data indicate, the median income from employment under all Local No. 1 jurisdictions during 1976 was above $12,000, and approximately 30 percent of the members in our sample had annual incomes from employment under Local No. 1 jurisdiction of more than $20,000. The mean income for members in the sample was about $14,212, and on the average, members derived about 50 percent of this from Broadway theatre employment.

e. Ushers and Doormen

To show the annual incomes of ushers and doormen, we have collected a sample of data on the 1976 Broadway theatre income of Local No. B 183 members working at least once in Broadway theatres during 1976. These data are depicted in Figure V-21. This figure shows that the median income of Local No. B 183 members was less than $1,250

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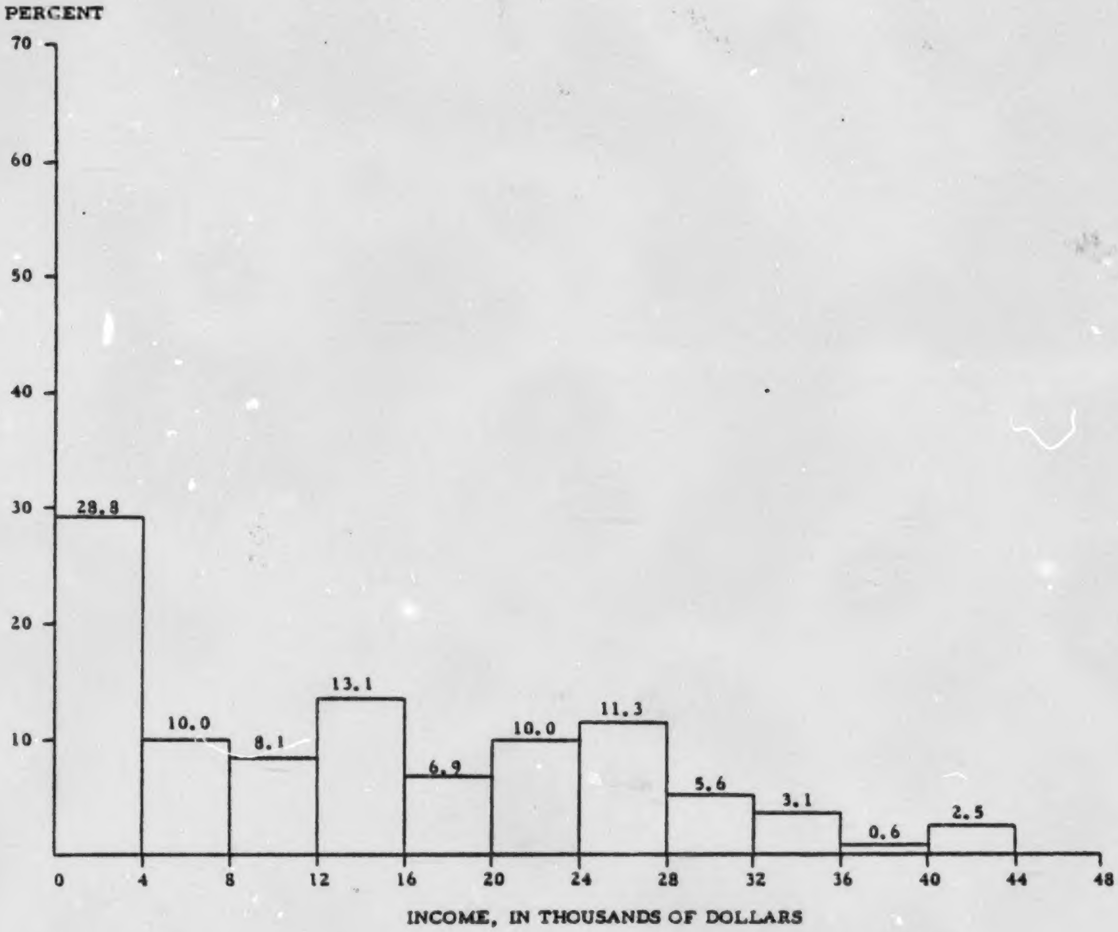
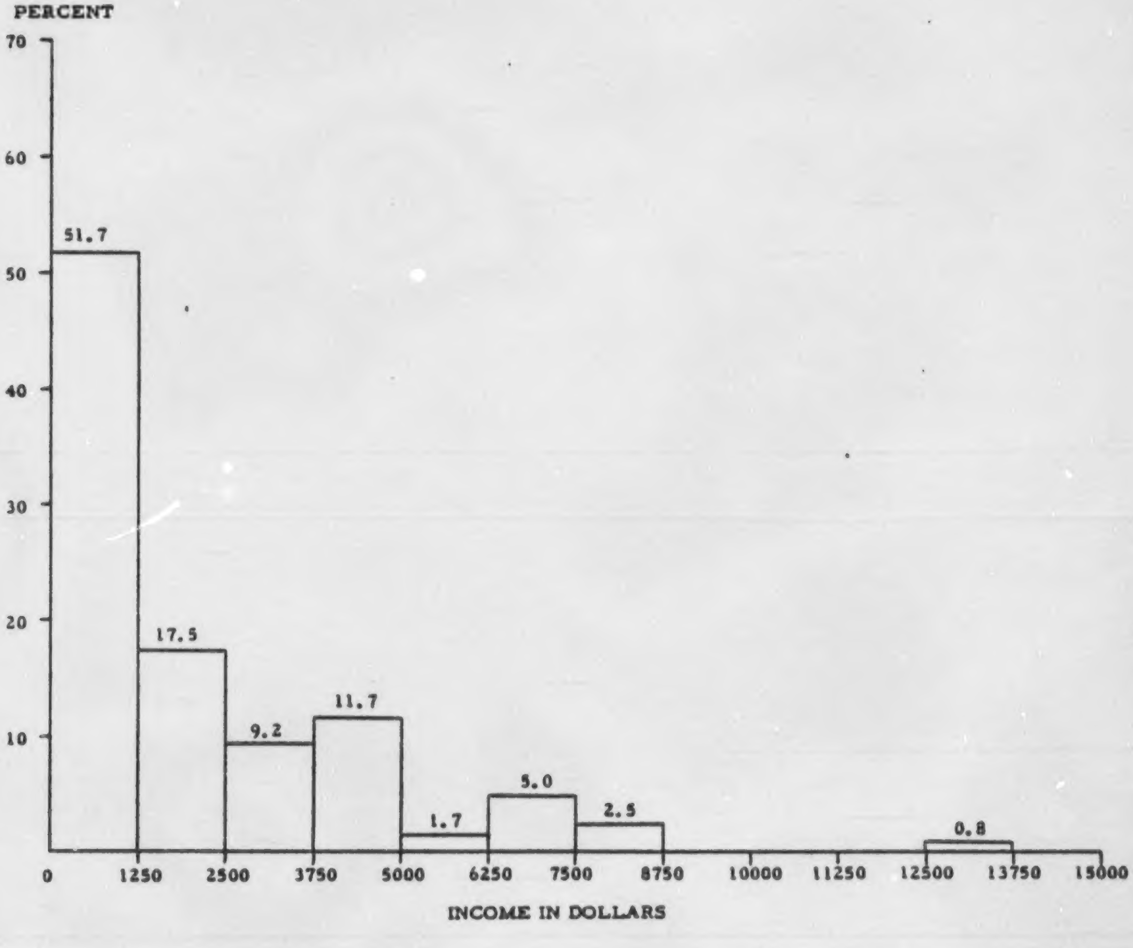
Figure V-20
Covered Income of Stagehands (Local No. 1)
of Members Working on Broadway in 1976
(Sample Size = 160)



401

Figure V-21
Broadway Income of Ushers and Doormen - 1976
(Sample Size = 120)



and that over 80 percent of those in this employment made less than $5,000 from this type of employment. The mean income from this employment was $2,198.

Data on total income from all employments under the Local No. B 183 jurisdiction of these same members reflect approximately the same picture; indicating that members of Local No. B 183 who work in the theatre typically do not have much income from other Local No. B 183 jurisdictions.

3. Wage Bills in the Theatre

Perhaps the most interesting perspective on labor compensation in the theatre is provided by data on wage bills, i.e., on total expenditure for various categories of labor such as actors, stagehands, musicians, administrative staff, etc. These expenditures are of particular interest because of their intimate association with the "cost disease" first diagnosed by Baumol and Bowen. Recall from our discussion in Chapter I of this report that there is relatively little scope for labor productivity advance in live theatrical performances. This means that, in the absence of adjustment of the quantity of labor employed (through, for example, production of plays requiring smaller casts, reduction of staffs, production of fewer plays, etc.), wage and salary expenses may be expected to increase at about the same rate that the wage rates increase. If wage rates increase at about the same rate as the general price level, then we should expect to see (again in the absence of any of the kinds of adjustments mentioned above) the wage bill increase at about this rate. If the wage bill increases at less than the rate of increase of wage rates, then is is evidence that the theatre has adopted certain cost-saving measures, such as reduction in average cast size, reduction in the number of productions and/or performances, and a shift away from highly paid personnel, etc.

Our data on wage bill trends come from two main sources. First, are data we have taken from the extensive survey conducted by the Ford Foundation, which contain detailed financial and cost data on 30 non-profit theatres covering the period 1965-1966 through 1973-74.

The second type of data we draw upon are estimated average wage bills for a sample of commercially produced straight plays and musicals. These data are described more fully in Chapter III, which traces the finances of the various segments of the theatre over recent years.

a. The Wage Bills of 30 Non-Profit Theatres

As noted above, our main source of data on the wage bills of non-profit theatres is the data collected by the Ford Foundation in its survey of performing arts institutions. Data are available from this survey for several different categories of expenditure on labor, as described below in Figure V-22. Also shown in Figure V-22 are estimated growth rates for the various categories of expenditure on labor for the theatres in the Ford survey. As was discussed above, a comparison of these growth rates with growth rates in the average wage rate for the corresponding category of labor provides an indication as to whether or not the quantity of labor

Figure V-22

Growth Rates in Categories of Salary/Fee Expenditures
1965/66 through 1973/74

Labor Expenditure Category	Growth Rate (%)
Regular Performing Artists on Stage	6.31
Regular Performing Artists in the Pit	46.38
Total Regular Performing Artists	6.25
Guest Artists	33.41
Total Performing Artistic Personnel	7.42
Regular and Guest Directors/Conductors	5.85
Stage Managers/Instructors	8.35
Creative Designers/Technical Personnel	13.08
Other Non-Performing Artists	-1.19
Total Non-Performing Artists	8.33
Total Artistic Personnel	7.71
Stagehand/Crew Shop	7.92
Total Artistic/Production Personnel	7.71
Executive Personnel	11.44
Supervisory Personnel	5.10
Clerical/Box Office/Front of House Personnel	12.09
Maintenance Personnel	11.12
Total Non-Artistic Personnel	9.99
Total Personnel	8.35
Employee Fringe Benefits	13.18
Total Salaries/Fees, Fringe Benefits	8.79

Source: Ford Foundation Survey of the Performing Arts.

employed has increased or decreased. In particular, if the growth rate in expenditure exceeds the growth rate in an average wage rate, then this is an indication that usage of the particular labor category has increased. If, in contrast, the growth in the wage rate exceeds that of expenditure, then this is an indication that employment of the particular category has decreased.

Some wage rate data that can be used for purposes of making this comparison are reported in Table V-6 above (see Section D.1, page V-41). While these data do not pertain precisely to the categories of expenditure on labor defined in the Ford survey, we can make some approximate comparisons of the wage rate growth rates shown in Table V-6 to the regional theatre salary expense growth rates shown in Figure V-22. As this comparison shows, the growth rate of wage rates for artistic personnel (all categories) are lower than those of corresponding expenditures with few exceptions. This is an indication that more artistic personnel are being employed in the theatres reflected in our data. For most of the expenditure categories the increase is slight, probably in the neighborhood of 1 to 1.5 percent per year. The few exceptions which imply larger increases in employment of artistic personnel (i.e., Regular Performing Artists in the Pit, Guest Artists, Creative Designers/Technical Personnel) are all categories which account for only a very small proportion of total expenditures.

The growth rates of expenditures on categories of non-performing artists show growth in the most important (in terms of total expenditures) categories (stage managers and creative designers/technical personnel) that exceeds growth rates for wage rates and fees. This probably reflects both increasing employment of these categories of artistic personnel and some substitution of paid for unpaid personnel.

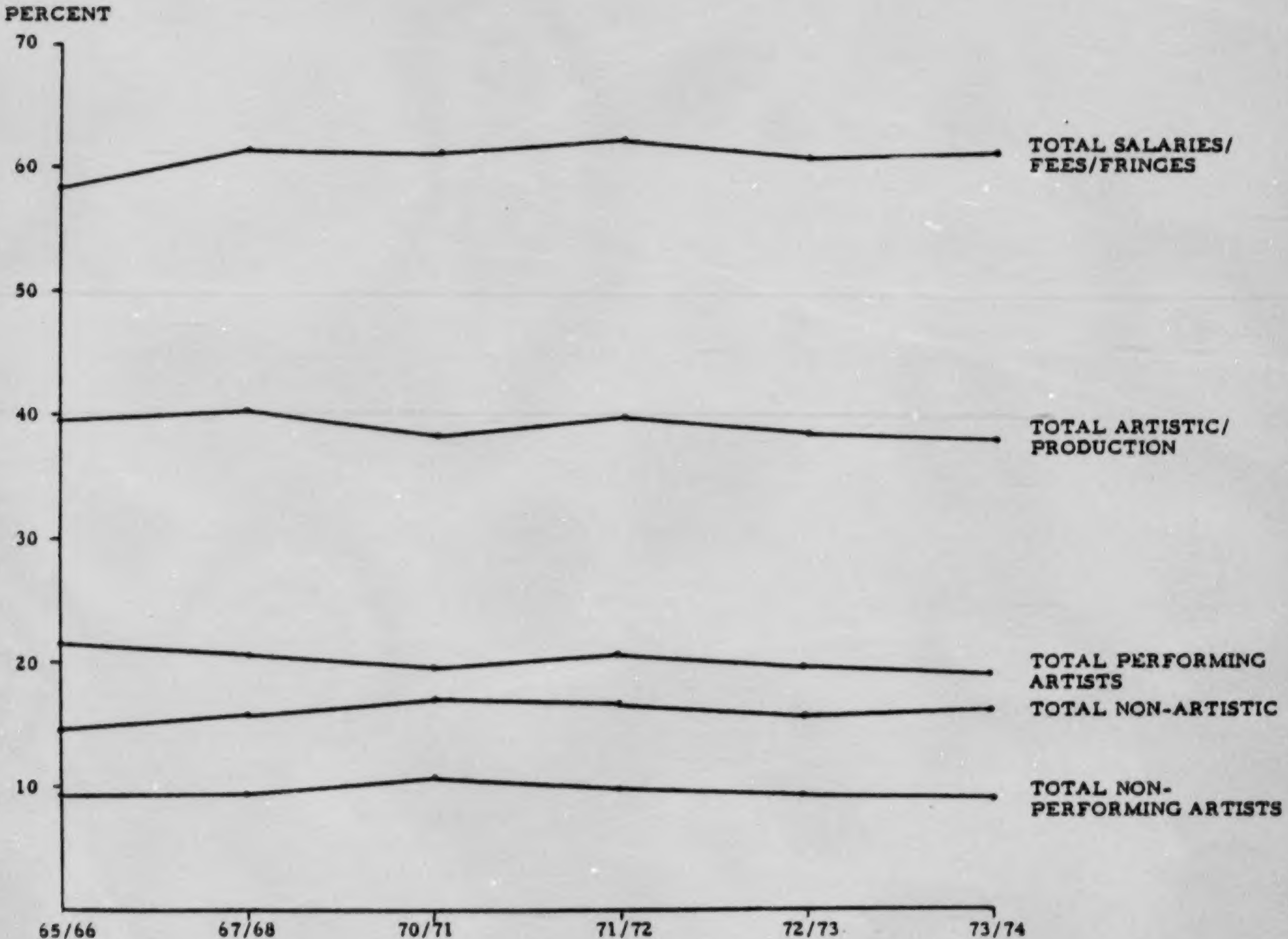
By far the highest rates of growth in total expenditure for personnel are observed for non-artistic personnel. Unfortunately, we do not have any comparable data on wage rates, so we have no ready way of determining how much of this growth in expenditures may be due to increases in wage rates and how much due to increases in employment.

Some additional evidence on the growth (or lack thereof) of employment is provided by examination of the relationship between salary/fee expenses and total operating expenditures. There has been a slight tendency for the portion of the budget devoted to non-artistic salaries to increase. These slight changes are shown in Figure V-23, which depicts selected salary expenses as a percentage of total operating budget for 30 theatres in the Ford Survey over the years 1965-66 through 1973-74. Apart from these almost imperceptible shifts, what this figure shows is that the salary/fee composition of the budget of these theatres has remained virtually unchanged over the years covered.

This is an extremely interesting finding, because it provides additional corroborating evidence that employment in the theatre has grown. In particular, the relative constancy of salaries and fees as a percentage of total operating expenses means that expenditures on salaries and fees have grown at about the rate that total budgets have grown. This, in turn, means that the rate of growth of average compensation rates plus the rate of growth of average employment has been about equal to the rate of growth

Figure V-23

Selected Salary/Fee Expenses as a Percent of Total Operating Expenses



408

of total operating expenditures. Since the latter has grown at about 8.3 percent per year, and since wage rate increases generally have been in the range of 6 to 7 percent per year, this implies that there may have been a very modest overall increase in employment (perhaps on the order of about 1 to 2 percent or less per year) over the period examined.

b. Wage Bills in Commercial Broadway Productions

As has been discussed in Chapter III, our data on finances of the for-profit Broadway theatre are based upon a sample of publicly financed shows. Because our data covers only a small fraction (about 10 percent) of the shows produced in any year, the sampling error in our estimates is relatively large. Nonetheless, the pattern we observe in our data is consistent with other data at our disposal.

In Table V-8, we report estimates of growth rates for selected salary and fee expenditures. In general, the estimates shown in this table show a pattern that is quite different from that shown by the data on 30 non-profit theatres that we examined in the preceding section. In particular, our data show that cast salary expenditures (both during production and running) have grown relatively slowly. For example, we see in Table V-8 that the growth rate of cast salaries both during running and production has been about 2.2 percent. Recalling from Section D.1 above that the basic minimum salary for actors under Equity jurisdiction (all of the shows in our sample were produced under Equity jurisdiction) has increased by over 7.5 percent per year over this period, we have

Table V-8

Growth Rates of Average Salary/Fee Expenses For Commercially-Produced Broadway Shows 1965-66 to 1976-77

	Musicals Growth Rate (%)	Plays Growth Rate (%)
Production Expenses		
Cast	2.19	5.58
Other Artistic	16.70	11.71
Crew	12.76	13.64
Total		
Running Expenses		
Cast	2.25	5.49
Other Artistic	5.13	3.80
Crew	5.78	1.98
Total		

compelling evidence that the for-profit Broadway theatre has taken strong economy measures. If they had not, we would have expected to find that expenditures on casts increased by on the order of about 7.5 percent or more.

The other pattern that emerges from the data is the marked increase in Other Artistic and Crew costs during production. Increases of these costs during the running period of sampled shows have been quite moderate, and indeed well below the range of increases in compensation rates. We do not know whether or not this is a statistical fluke, or relfects real economization on the use of these resources during running.

E. Conclusions

Several conclusions follow from the data we have examined in this chapter. Before we proceed, it is useful to take stock of what our data show.

Perhaps the most striking trend that emerges from the data we have examined is the explosion in membership of unions representing artists working in the theatre or in related performing activities. Our data show relatively rapid growth of Actors' Equity Association, the American Federation of Musicians, the Screen Actors Guild, the Dramatists' Guild, and the American Federation of Radio and Television Artists in comparison with the rate of growth of the civilian labor force or the rate of growth of membership of most other unions.

Interestingly, the growth in the size of artists' unions also exceeds by a fair margin the rate of growth of memberships of unions representing other theatre occupations. We have seen, for example, that the memberships of the International Alliance of Theatrical Stage Employees and Moving Picture Machine Operators and the Association of Theatrical Press Agents and Managers has grown very little over the period for which we have data. Undoubtedly, this reflects the fact that it is somewhat more difficult to become a member of these unions than it has been to become a member of the performing artists' unions.

Our data also show a striking dissimilarity between the employment security of the artist vis-à-vis those working in non-artistic theatre occupations. Performing artists generally are employed (if at all) for only a small portion of the year in the theatre. For example, in 1975-76, less than half of Actors' Equity paid-up members were employed for more than 15 weeks in the theatre under Equity jurisdiction. Approximately 40 percent of Equity's paid-up membership had no work in the theatre at all in that year.

Theatre employment in the non-artistic occupations is by comparison much more secure, as is shown by examination of data on employment of members of Stagehands Local No. 1 and ATPAM. Many members of these unions had nearly full-time employment.

One cannot, of course, from these data draw any firm conclusions about the extent to which individuals working in the theatre are unemployed. Actors' Equity members may find employment in television or in the movies. Or they may find employment waiting on tables in restaurants, or as ushers or doormen. If so, they are employed, although perhaps not in a job which makes use of their special skills and talents.

Limited evidence from other sources suggests that inspite of possible employment opportunities elsewhere, unemployment among performers is high. For example, Census-BLS data on unemployment show rates ranging from 30 to 50 percent for actors. Data now being compiled from a survey conducted by Ruttenberg et al. show that the median number of weeks of paid employment of AEA members (all occupations) is 37 weeks.

It would be unwarranted, on the basis of the evidence we have developed, to conclude that the relative stability of employment on the non-performing theatrical occupations derives -- wholely or partly -- from the restrictions on entry into membership employed by the non-artist unions. Another factor making for stability is that the non-artist unions contract typically with continuing enterprises (i.e., theatre owners) rather than with production companies. This may provide greater employment security than is available to the performing artist, who frequently contracts on a production-by-production basis.

The only adequate data that we have on aggregate employment of members of unions representing theatre occupations report employment of Actors' Equity Association members. These data show that employment of Equity members has grown over the period 1961-62 through 1975-76, but at a rate slightly less than the rate of growth of paid-up membership. In consequence, the average employment per member under Equity jurisdiction has tended to decline. A shorter series of data for ATPAM membership shows that employment under the ATPAM jurisdiction has remained roughly constant (as has the membership) since the early 1970's.

Our examination of data on wage rates in the theatre occupations shows that wage rates have generally kept pace with the cost of living. In some cases, wage rates have grown slightly faster than the cost of living. This is no small achievement over the period covered by our data, which include the highest inflation rate in recent history.

At today's wage rates, it is possible *in theory* for individuals working in the theatre to make an adequate living. For example, an actor earning the current Production Contract minimum wage for a full year (52 weeks) would earn $18,460. Our data show, as we have discussed above, that very few actors work a full 52 weeks under Equity jurisdiction. For some this is a matter of choice; for others, it is a result of lack of opportunity.

Our data on performing artists' annual incomes from theatre employment show that incomes earned in this employment typically are low. For example, our data on a sample of Actors' Equity Association members show that the median income of Actors' Equity members *who worked at all* under Equity jurisdiction has not exceeded $5,000 in any year we have examined (we have examined each year back to 1970-71). This is quite sobering when it is recalled that approximately 40 percent of the members do not work at all under Equity's jurisdiction in any given year.

Undoubtedly, the persistence of high unemployment, the relatively rapid growth of the labor force of actors, and relatively low incomes in part reflect the fact that actors are deeply committed to their occupation and are willing to undergo what most would consider hardship to engage in it.

It may also reflect the fact that many actors are part of households that have other sources of income and employment.[1] These factors notwithstanding, it is still fair to conclude that only a fortunate few earn enough in the theatre to provide for their own needs and those of a family.

The only other performing artists on whom we have data are musicians. Data on incomes of musicians working at least once on Broadway or on the Road also show a very low median, although for reasons discussed above relating to other employment opportunities than in the theatre, our data probably overstate the seriousness of the economic problem confronting musicians who work in the theatre.

Those employed in non-artistic occupations appear to earn better incomes in the theatre. This is shown by the data we have examined on incomes of members of ATPAM and Stagehands Local No. 1. While the weekly minima that apply to employment of these union members are not vastly different from those that apply to members of Actors' Equity Association, the employment stability is somewhat better, as has been noted above. This accounts in large measure for the difference in earnings.

Aggregate data on expenditures on salaries, fees, and fringe benefits provide some additional perspective on employment trends. Our data show some evidence of a slight increase in employment in the larger segments of the non-profit theatre, and a very steep decline in employment opportunities in the for-profit Broadway theatre. Our data series for other segments of the theatre community are too sparse to draw any firm conclusions at this time.

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[1] We are indebted for this insight to Mr. Harold Horowitz, of the National Endowment for the Arts. The study by Ruttenberg et al. (op. cit.), reports that the median household income of members of Actors' Equity Association was $12,000 in 1976.

41

VI. INNOVATIONS IN THEATRE OPERATIONS

In previous chapters we have examined a variety of measures that the theatre has taken involving modified production and choice of material to keep costs and revenues in balance. We saw evidence that these measures have contributed to keeping costs and box office revenues in balance over the past 10 odd years. In addition to these measures, however, the theatre has taken several other kinds of measures designed to expand revenues and/or cut costs that do not involve modifications of production or choice of material. We shall review some of these measures in this chapter. These additional efforts can be roughly divided into modernization of ticket sales, technological innovation, and innovations in management and finance.

In this chapter, unlike previous chapters, we have relatively little data. This is due to the fact that many of the initiatives discussed here are relatively new, and only now are the subject of efforts to collect systematic data which will allow monitoring and evaluation of their success. Nonetheless, the few bits of data we have been able to gather in conjunction with some anecdotal evidence suggest that many of the efforts reviewed in this chapter making a significant contribution to the financial stability of the theatre that we have observed in preceeding chapters.

The plan of this chapter is as follows. In Section B, we examine several relatively new methods and practices for selling of tickets. We shall see that there have been some interesting developments both with respect to the method of sale and the pricing of tickets. These developments include group and subscription sales, sales via telephone, and sales via credit card. Pricing initiatives include selective discounting and use of price differentials as an added means to ration seats at times of the week for which there is high demand.

Section B discusses some recent technological advances. While, (as has been noted numerous times in earlier chapter), there is little scope for increasing productivity in live performance per se, there are many ancillary activities such as box office operation, lighting operation, etc. which may lend themselves to improved efficiency. We shall see in this section that the theatre is identifying those of its operations which can be improved and taking the needed steps to improve them.

Section C briefly discusses a number of relatively new ideas in theatre management and finance. Perhaps the most interesting of these is the idea that productions originally mounted by not-for-profit producing organizations may move to operation in what is for all intents and purposes a for-profit mode, thereby providing financing for not-for-profit activities. This idea has of course been discussed earlier in our report in Chapter II (see pages II-6 through II-15). Other interesting new approaches discussed in Section C include costume collections, cluster management, the formation of state arts agencies to provide state support to not-for-profit institutions, and foundation programs desgined to improve the management of cash flow in arts organizations.

A. Ticket Sales

1. Subscription and Group Sales

The purchaser of a subscription typically pays in the spring for a prearranged location on prearranged nights for a series of plays (usually anywhere from two to eight) to be given the following season. The theatre usually mounts a vigorous advertising campaign to ensure a maximum response, and offers a discount from the single ticket price.

Subscription sales probably have been the most effective factor in attracting audiences to the regional theatres outside of New York because they develop the habit of theatre attendance. TCG reports that those regional theatres that have subscription audiences were found to sell 61 percent of their total seating capacity in that form. While it is not possible to know what would happen if the seats were sold separately, it seems reasonable that people would be less faithful if they purchased each ticket separately. Subscription sales, as a percent of box office, are highest in areas which do not have a wide variety of attractions, and lowest where theatres are abundant.

One disadvantage of subscription sales is the rigidity imposed on the schedule, so that management cannot cut down the run of a poor play or keep on a successful one. Some patrons dislike the idea of purchasing tickets to shows they know nothing about for specific evenings months later. Subscriptions possibly have a homogenizing effect on productions and choice of play, as the same people must be kept happy all the time.

The advantages are extremely important. The producer knows well in advance the size of audience he can count on for the entire season. Subscription audiences tend to be more loyal to the institution than the single ticket buyer, often forming guilds and aiding the theatre with services and fund raising activity. Also, the patrons pay in advance. The financial realities of theatrical production almost invariably lead to a Catch-22 situation. Rehearsals, staging, costuming, etc. take place in the early fall, but most ticket income comes in after the production money has been spent and the play opens. Bills are paid with box office income as it comes in, and the following year must be started on borrowed money, usually at over 11 percent interest. For non-profit, subsidized institutions the situation is aggravated by the fact that grants are not paid out promptly, and theatres must borrow against their eventual receipt. The monies that come in after the season to pay for the next year's subscriptions allow important savings by providing a cash advance.

The Ford Foundation and Theatre Communications Group (TCG) have made available to the non-profit sector the services of Mr. Danny Newman, who for more than a decade has been the leading proponent of subscriptions. Almost every theatre of any size must, by now, have a community representative in charge of soliciting and arranging social or fund raising theatre parties, and for arranging in-house school matinees. These activities almost certainly attract new audiences who would not have attended otherwise, and are an important source of ticket revenue. It has been estimated that 15 percent of Broadway tickets are sold by theatre party organizers and theatre clubs to social or fund raising groups. For highly publicized productions with stars it is often possible to sell seats to organizations who want to see the show early in its run and are afraid they will be unable to purchase scarce tickets. For the few productions that can do this, it is an important source of pre-opening cash income.

2. Advertising

In the 1972-73 season a musical called "Pippin" was faced with the necessity of going to discounted tickets. The management chose instead to put a few sparkling moments from the show into a television commercial, run on the major networks.

Advertising for Broadway shows which was previously concentrated in newspaper ads and billboards is often placed on radio and television which offer mass exposure, and are, incidentally, far more expensive. One can assume that the producers feel it is worth their while to use them, and that improved advertising techniques have had their part in the resurgence of Broadway.

3. Credit Instruments

Many box offices now accept credit card sales, and telephone orders. This has been accompanied by a decrease in the number of mail orders, and again may have played its part in attracting audiences by making ticket purchase less difficult.

4. Discounts on Theatre Tickets

a. Student Rush and Senior Citizen Discounts

Many theatres now give a discount to senior citizens, and put whatever is left over at the box office on sale to students at a very low price an hour or two before curtain, thus combining the functions of social service and filling the house.

b. Times Square Ticket Center

The Theatre Development Fund (TDF) operates a highly successful Times Square Ticket Center, opened in 1972-73, which now has a branch in lower Manhattan. Unsold tickets from any Broadway theatre that wishes to make use of the service are put on sale at 3:00 p.m. for the 7:30 or 8:00 p.m. performance, and sold at half price plus a small surcharge to those willing to queue up and choose from whatever is available. TKTS also handles a selection of tickets for Lincoln Center, dance companies and Off-Broadway shows.

Because the program was an innovation, TDF in 1974 commissioned an evaluation.[1/] The results showed that at least 75% of the $2 million paid out to participating theatres the first year, was money that would not have been earned at the box office. An additional audience has thus been attracted by the TKTS booth which, interestingly, is also of a different economic stratum from the traditional Broadway audience. They were comparatively young (median age 30 against 39.9), predominantly middle income white collar, and often attended theatre on

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1/ "Last Minute Discounts on Unsold Tickets: A Study of TKTS, prepared for the Theatre Development Fund by William and Hilda Baumol through Mathematica, Inc., Princeton, New Jersey. Published by Theatre Development Fund, New York, New York, 1974.

impulse. TKTS now accounts for approximately 5 to 6 percent of the Broadway gross, and the money earned from the small surcharge not only defrays the expenses of the booth but helps subsidize other TDF programs.

Incidentally, TKTS does a large summer business with tourists, and has helped to iron out the traditional summer slump.

c. Discount Sales -- Vouchers

Also in 1972-73 TDF instituted its Off-Off Broadway voucher program designed to provide a low level of funding to a semi-structured group of small theatres characterized by irregular schedules and wide instability. The system is simple. Those eligible for the TDF mailing list purchase vouchers for $1.50 each in sets of five. When used for admission at any participating theatre, each voucher is worth $2.50 to the theatre accepting it. Vouchers are returned by the theatre to TDF and the theatre receives $2.50 from TDF. Any theatre company is eligible to accept the voucher from the public if it is non-profit and has a professional orientation. The funding agency selects those groups eligible to receive vouchers; in this case, teachers, students, clergymen, union members, etc., and also lays down broad guidelines for theatres which are eligible to receive the subsidy. The theatres are rewarded in direct proportion to the number of attendees they can attract, relieving the funding organization of the burden of making a long series of value judgments. It is inexpensive to administer once the original costs of computerization are covered. TDF has helped set up independent voucher programs in Boston, Chicago, Buffalo and Minneapolis. These have been adapted to the smaller availability of performances and usually include larger regional theatres and orchestral performances as well as small theatres. HEW is also testing a variation of this program with Museum Collaborative in Brooklyn, which is utilizing a service voucher in museums and other community facilities to pay for services and programming for underpriviledged children.

The parent program is run with such simplicity and ease by the Theatre Development Fund, that its revolutionary nature and its implications for the future can be overlooked. The administrative burden of funding groups can only increase with increased popularity of the live performing organizations, their widening geographical dissemination, and their increasing reliance on public and private sources of support as the cost disease and inflation continue to undermine their economic viability. It is also becoming clear that the need in the future will be not so much for "seed" money or once-and-for all grants, but for continuous year-to-year support. Under the conventional systems of funding, grants are made on an individual basis after careful investigation into the stability, artistic credentials and needs of each applicant. Certainly, even with a full voucher system, spot checks would be required, and special handling of extraordinary situations, but it is difficult to see how the agencies can expand their efforts to cover increased activity and needs without diverting even larger shares of the monies available to them to administration. The voucher program is one solution to that dilemna. It's advantages are:

Economy -- after the initial expenditure for computerizing the program, it can handle an extremely large number of transactions at very little incremental expense. In certain circumstances, a small service charge will cover all administrative expenses.

Control over who is subsidized -- both voucher purchases and performing groups may have qualifying characteristics which can be determined in advance. For example, in the New York program which is meant to assist the highly idiosyncratic and unstable Off-Off Broadway movement, only professional orientation is required. It is literally the only source of funding available to a new theatre for the first two years of its existence.

Continuous Quality Control -- the level of subsidy depends completely on the number of voucher-attendees each theatre can attract, relieving the funding agency of the burden of making a long series of value judgements. There is continual pressure on the theatre to satisfy its chosen audience.

Cut fund raising costs to theatres -- there is no need for the theatres to engage in competitive grand-application one-upmanship. The size of the subsidy depends on artistic appeal alone.

Several criticisms can also be made of voucher programs. While it was hoped that a good part of the subsidy would flow to the tiny but artistically important experimental theatres, most of the subsidy money has gone instead to the larger, better known organizations with established audiences. This should not surprise anybody, as there is no reason to think that the audience groups selected have tastes different from the general public.

Even then, an evaluation of the Buffalo program points out that people are using 20% of the vouchers to "try out different kinds of events than they would normally attend," which indicates some kind of broadening of the base. Thirty percent, however, used vouchers "to save money on tickets to performances which they would otherwise attend," indicating that the program is only partially fulfilling its ambitious goal to "attract a new audience of those who do not ordinarily attend performing arts events for economic or other reasons."

Four new voucher programs have been established since the New York City one was established in 1972-73. They are in Buffalo (begun in 1974-75), Minneapolis-St. Paul and Boston (1975-76) and Chicago, started in the spring of 1976. They differ in details -- mechanics of operation and qualifications for participating organizations and voucher holders -- depending on local circumstances.

Table VI-1 reprinted on page IV-11 [1] summarizes the scope of the programs. All but Boston expect to cover administrative costs from income.

d. TDF Ticket Programs

The Theatre Development Fund has operated both subsidized and unsubsidized discount ticket programs since 1968-69. In the subsidy program TDF purchases tickets to plays of artistic merit during the early weeks of their run at $5 and makes them available at $3 to persons on the TDF mailing list. The plays are selected by TDF's Play Approval Committee. By making these discounted tickets available, TDF underwrites the initial runs of the productions selected and gives them time to find an audience. At the same time, TDF makes tickets available to people who might not otherwise be able to attend and helps create new theatregoers. There is a similar non-subsidy program where tickets are sold to the TDF mailing list, which is restricted to students, teachers, union members, clergy, retired persons, performing arts professional, and members of the armed forces, and neighborhood, church or community youth groups.

1/ Lieberman, Linda, "Preliminary Report on the Feasibility of a Cultural Voucher System in Rochester, New York," for the Monroe County Metropolitan Arts Resources Committee, February 1977.

Table VI-1

Voucher Programs

VOUCHER SALES & REDEMPTION

	1st Year Buffalo	2nd Year Buffalo	1st Year Minn/St. Paul
Target No. Vouchers	44,860	42,220	60,000
No. Vouchers Sold	44,860	42,220	56,380
No. Sets Sold (5 Vouchers/Set)	8,972	8,444	11,276
No. Individual Voucher Holders	4,200	4,000	4,000
$ Amount Redemption	$87,000	$76,000	$112,730*
Rate Non-Use	22%	28%**	20%*

*Estimate. Some vouchers do not expire until March 1.

**Non-use rate high because many vouchers were sold in the spring to people who felt that even use at two or three performances was worth the price of the voucher set.

ADMINISTRATIVE EXPENSES

	Buffalo 2nd Year	Minn/St. Paul* 1st Year	Boston* 1st Year	Chicago 1st Year
(No. Full-Time Employees)	(2+)	(2)	(4)	(3)
Staff Costs	$27,500	$19,300	$39,950	$38,200
Printing	3,550	11,500	12,000	12,000
Promotion	210	700	4,000	1,500
Computer Service (Includes Mailing Service)	1,610	4,100	5,000	3,000
Other	7,130	17,400	18,050	17,300
Total Administrative	$40,000	$53,000	$79,000**	$72,000
Income From Voucher Sales	$42,220	$56,380	$10,000	***

*Both Boston & Minn/St. Paul include some one-time start-up costs. However, the administrative budgets of both programs will increase in the 2nd year as voucher sales grow.

**Of the $79,000 in administrative expenses, $13,000 supports other activities, such as calendar printing and mailing and administration of half-price ticket program for commercial theatre.

***First year is not yet over.

The importance of the program, particularly in a time of inflation and high interest rates, should not be underestimated. Some producers have credited this TDF program with "saving the theatre in the disasterous 1973 and 1974 seasons." Table VI-2 is a summary of TDF activities through 1976.

e. Flexible Pricing

It is only in the last decade that theatre tickets have been priced higher for popular nights of the week and lower for less popular times. There is room for more experimentation to maximize total attendance.

B. Technological Advances

The theatre tends to be highly resistant to technological advances. First, they are usually terribly expensive to install. Second, they do not always succeed in cutting down on the number of people employed because someone is still needed to operate, service and maintain the highly sophisticated equipment.

1. Lighting Boards

There has been some modest adoption of computerized lighting boards. These are prohibitively expensive for typical commercial production companies which rent any available theatre and are newly organized for each play. The outstanding user in New York is the New York Shakespeare Festival which has purchased three portable, computerized light boards. These are used for the Broadway productions and accompany the road companies on tour. NYSF estimates the life of the board used in "For Colored Girls" as 10 years and notes that it saves

Table VI-2

Theatre Development Fund - 1968-69/1975-76

Support of Theatre, Dance, and Music Events Through TDF Programs

	Subsidy Ticket Program	Non-Subsidy Ticket Program	Theatre Voucher	Dance Voucher	TKTS Theatre Centres	Total
ADMISSIONS						
1968-69	13,551	1,810	-	-	-	15,361
1969-70	20,198	19,554	-	-	-	39,752
1970-71	38,509	129,279	-	-	-	167,788
1971-72	26,777	130,473	-	-	-	157,250
1972-73	15,562	75,978	16,019	-	6,981	114,540
1973-74	25,766	86,314	38,990	9,398	450,715	611,183
1974-75	39,621	95,949	41,322	21,269	651,339	849,500
1975-76	30,916	156,947	52,295	23,186	630,244	893,588
$ AMOUNT PAID TO EVENTS						
1968-69	$ 67,753	$ 3,620	$ -	$ -	$ -	$ 71,373
1969-70	100,990	39,108	-	-	-	140,098
1970-71	192,085	261,692	-	-	-	453,777
1971-72	133,885	256,654	-	-	-	390,539
1972-73	77,810	193,001	32,116	-	32,853	334,780
1973-74	128,830	222,134	95,313*	23,495	2,052,155	2,521,927
1974-75	198,105	301,407	102,548	53,173	3,267,092	3,922,325
1975-76	154,580	525,787	130,738	57,965	3,591,141	4,460,204
EVENTS ASSISTED**						Total Different Productions
1968-69	5	4	-	-	-	5
1969-70	6	14	-	-	-	17
1970-71	9	40	-	-	-	42
1971-72	8	52	-	-	-	55
1972-73	7	45	81	-	21	145
1973-74	9	77	127	95	135	405
1974-75	12	89	208	175	161	586
1975-76	9	166	192	287	158	727

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*Additional $9,846 reflected in 1973-74 audit; this amount was distributed to theatres involved in the 1972-73 voucher program on the basis of previous actual voucher redemptions.

**For the voucher programs, these figures refer to the number of individual dance or theatre companies assisted rather than to the number of different productions.

the salary of one lighting man out of two that were employed previously. The board costs $60,000 and, in the case of "For Colored Girls," should save $28,000 the first year of operation.

For lighting of the musical "Chorus Line" on Broadway and on tour, the New York Shakespeare Festival uses a highly sophisticated, portable memory board which costs $110,000 and saves the salaries of two lighting men each year, which is approximately $56,000.

The next step at the New York Shakespeare Festival will be automated ticket selling.

2. Computerized Box Office

The other, long awaited technological development is the installation of a computerized box office on Broadway. The Shubert Organization will underwrite the cost of $1.6 million, and expect to have a terminal installed in at least one of their box offices by next fall on a test basis. Participation will be offered to all other theatres on a prorated basis.

It has often been surmised that part of the reason for the success of the TKTS booths are the fact that they allow the patron to choose from what is currently available at a single location. It is not known whether the Shubert operation will include terminals at outside locations, or whether it will be limited to telephone orders and box office sales.

This is certainly an idea whose time has come. The Select-a-Seat operation in Minneapolis has terminals in many local box offices including the Guthrie Theatre, Orchestra Hall, the St. Paul Civic Center and athletic events. The manager of Guthrie reports that he "could not live without it." Other operations of computerized event ticket systems already operate in several cities and in the bay area of California.

The advantage to the prospective customer is that he or she can call on the telephone or go to a terminal at some convenient location and purchase a printed ticket for the best available location at a given price. To the box office it has the advantage of tighter control, its choice of whatever kind of box office analysis it requires, and freedom from the tyranny of having to handle a stock of tickets. Tickets can be purchased at any site until curtain time.

3. Ticketron

Prospective patrons who wish to purchase full-price tickets away from the box office can patronize licensed ticket brokers or one of the Ticketron locations. Ticketron receives a limited allocation of seats and locations; a fact that may be affecting its effectiveness.

C. Management and Finance

1. Mixed For-Profit and Not-For-Profit Production

Some non-profit theatres have learned to utilize the possibility of profits on a successful Broadway run tc help to subsidize themselves. Activity in the non-profit sector is not meant to be "commercial" in nature. However, as one non-profit producer has put it, "non-profit does not necessarily mean not popular, and when the occasional "freak" which will prove popular with the wide, commercial audience emerges from the turnover of new plays, staged workshops, and readings, there is no reason that it should be withheld. In fact, it is the only way artistic personnel can receive top financial renumeration and recognition. When "mixed management" takes place, the non-profit producer supplies the play in exchange for some negotiated percentage of the gross and net profits, and a for-profit producer puts up the money and undertakes the risk.

2. Ford Foundation Cash Reserve Program

If many of the preceding programs have an underlying theme, it is the effort to get a prepaying audience into the theatre. The Ford Foundation has attacked this cash flow problem through its Cash Reserve Program which grew out of an $80 million grant to symphony orchestras. For the past six years they have worked intensively with more than 80 organizations, including 11 theatres. They helped to liquidate current liabilities and, at the same time, supplied guidance on future cash flow management by providing the services of a financial consultant who works intensively with the theatres.

Although the program has been received enthusiastically, it is very expensive. The Ford Foundation, despite its decreasing arts budget, is still making cash reserve grants and intends to continue this technique of assistance.

3. Arts Councils

The community and state arts councils, which have been funded in almost every state, are an important constituent in the non-profit theatre scene. These community-based organizations in each state have undertaken the task of local fund raising and encouragement of the arts throughout their states, and must be credited with aiding the dissemination of activity throughout the country in the last 10 years. Each state has its own priorities and idea of the appropriate level of funding. State appropriations have grown, however, from a total of $2,664,640 in 23 states in 1966 to over $50 million and almost $62 million in appropriations for FY 1978 in all 50 states. Per-capita expenditures for each state will be found in Table I-1.

At its best, the movement brings the opportunity for enjoying and participating in professional and grass root arts events to previously unserved parts of the country. There has been criticism, however, that funds designated for the arts have been used for services that are more recreational or rehabilitative in nature or for strictly amateur operations, and this erodes support for bona fide arts organizations. Others fear the politicalization of the arts, as the councils seek to adjust to 50 different kinds of pressure. It is, however, futile to try to assess 50 highly idiosyncratic movements, which together form a potent force in the funding and administration of the arts in the entire country.

4. United Arts Funds

The Arts Councils have encouraged the device of United Arts Funds as a fund raising tool, analogous to the Community Chest drives. These now exist in 34 cities, and raised $14.5 million in 1975 from business, foundations, and others.

The example of Fort Wayne, Indiana, which has one of the oldest United Funds may be illustrative.

The Ft. Wayne Fine Arts Foundation raised the money and constructed a $4.5 million community center in 1973, including a 680 seat hall. It is now a facility for the civic theatre in residence, ballet, chamber orchestra, art museums and cinema center, and is rented out to touring companies. It also serves as the focal point for community workshops and festivals.

With the mushrooming of community activity, and the fact that the civic theatre group has tripled its audience since 1973, it is difficult to schedule events, and other houses must be used, so the Fine Arts Foundation is raising money for a larger facility.

The Arts Councils also press for increased local funding for the arts, and one of their publications [1] describes municipal programs throughout the country such as the giant neighborhood festivals in Boston, San Francisco, and Seattle.

5. Tax Programs

Also important as a model for municipal support of arts organizations are the different tax abatement programs described in an Arts Council publication. [2]

- San Francisco applies the revenues of the local 6 percent tax on hotel rooms to its major cultural institutions.
- St. Louis supports three major institutions (two museums and a zoo) through a special property tax.
- Salt Lake City voters voted a bond issue to construct two new performing arts facilities.
- Philadelphia, Baltimore and Seattle have laws setting aside one percent of a specific tax for the arts.

Community Development Block grants have been used for construction for the arts in Atlanta, Baltimore, Tuscaloosa and Rhode Island.

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[1] "Cities, Counties and the Arts," Associated Councils of the Arts, 370 Seventh Avenue, New York, New York 10018, 1976.

[2] Ibid.

In San Francisco, 5 percent of revenue sharing funds are allocated for recreation which includes arts expenditures, and some uses of this have been $1 million for construction of a performing arts center in San Francisco and $500,000 for neighborhood cultural centers.

In Seattle, South Bend, Indiana, Mobile, Alabama, and Concord, California, States Arts Councils have instituted challenge grants by which they match each dollar allocated by municipal governments for the arts. Another aim of the Arts Council movement is to seek exemption from taxes on admissions to performing arts events or visual arts exhibitions, and it has succeeded in repealing such taxes in Washington, D. C. and Chicago. Another program is modifying local zoning variances which are often burdensome and unnecessary for small theatres.

6. New York State Council

The largest of the state arts councils is the New York State Council on the Arts. It is a major source of funding for the hundreds of non-profit theatres in New York City and its great cultural institutions like the Metropolitan Opera and the Metropolitan Museum of Art. It is a potent factor in maintaining New York City as one of the great cultural centers of the world.

The legislature requires that expenditures be made throughout the State, which has encouraged touring and the development of local arts projects outside of New York City. Aside from the obvious contributions to the quality of local life, the New York State Council maintains that the 900 arts groups funded by the Council represent a major growth industry with operating costs totaling more than $410 million in 1976-77 -- an increase of $72 million over three years ago." Table VI-3 summarizes this analysis. It shows that the New York State Council provided only 8.5 percent of the revenues of these organizations, 32 percent came from earned income, and 21 percent from non-government sources. It is clear that the money spent by the NYSCA in encouraging and establishing these projects has attracted significant outside monies to these communities.

7. Cluster and Collective Management

A major problem of the small, non-profit theatres has been that they could not afford administrative help. For several years there has been some movement for smaller theatres to operate under one management, usually private, and this has met with varying degrees of success.

Each company handles its own internal bookkeeping, keeps its own books, writes its own checks, and prepares its own applications for funding. The Bunch has become the center of operations for the eight member groups. The central management is supported by several small grants from various sources and a 10 percent internal charge on booking arrangements. They are able to save each member about 15 percent on advertising, and their fee for booking engagements is 5 to 10 percent less than going rates. They feel they get better service because they can concentrate all their energies on their own behalf.

Table VI-3

New York State Council On The Arts
3 Year Arts Expenditure Analysis
900 Arts Organizations

Report Data: 12/1/76

	1974-75	PERCENT	1975-76	PERCENT	(estimated) 1976-77	PERCENT
Expenditures:						
Personnel Costs	$194.3	57.5	$215.6	56.5	$237.8	58.0
Outside Professional Services	16.4	4.6	18.7	4.9	20.7	5.0
Other Expenses	127.6	37.7	147.3	38.6	151.6	37.0
Total Expenditures *	$338.3 *	100.0 *	$381.6 *	100.0 *	$410.1 *	100.0 *
Revenue:						
Earned Income	$106.8	31.6	$121.5	31.8	$135.8	33.1
Ind. Corp. & Found.	66.3	19.6	81.7	21.4	80.7	19.7
Federal Government	20.8	6.1	26.4	6.9	29.6	7.2
State Other Than NYSCA	15.4	4.6	15.3	4.0	15.1	3.7
Community Local	54.9	16.2	56.7	14.9	52.2	12.7
Endowment	19.5	5.8	18.9	5.0	19.8	4.8
Miscellaneous	14.9	4.4	14.2	3.7	13.1	3.2
NYSCA	31.2	9.2	32.3	8.5	25.0	6.1
Total Revenue *	$329.8 *	97.5 *	$367.0 *	96.2 *	$371.3 *	90.5 *
Surplus or Deficit -	($ 8.5)	2.5	($ 14.6)	3.8	($ 38.8)	9.5

NOTE: All percents are calculated by dividing each value by total expenditures

It should be stressed, however, that these are among the most distinguished and professional experimental companies, and have the interest and support of funding agencies. Some other efforts have not been as successful.

The New York Cultural Council Foundation now provides management services and advice to fledgeling groups, and the Foundation for the Extension and Development of the American Professional Theatre (FEDAPT) provides such advisory services to a wider spectrum of non-profit theatres.

8. Costume Collections

The Theatre Development Fund, in addition to its other activities, has maintained a costume rental collection for several years. Three hundred sixty-nine non-profit organizations in 24 states availed themselves of the service in 1975-76, at an average cost per costume of $9.84. Other cities have begun their own collections.

It is not known what costs of costuming would be without this service, but considering the relative poverty of most of these theatres, it seems certain there would be fewer costumes.

D. Summary

It would be gratifying to be able to evaluate the various programs outlined in this chapter as to their probable effectiveness and the importance of their contribution. Unfortunately, this is not possible. What would be a great cost saving to some, like a computerized lighting board, would be a wild extravagance to a theatre that has difficulty paying its electric bill. The fact that American theatre has increased in scope and audience in the last decade and paid its mounting expenses must be attributed to a constellation of causes. Is the growing awareness of live theatre throughout the country to be credited to many years of school programs designed to foster appreciation and understanding, subscription sales by fledgeling regional theatres, increased attendance at colleges making for a more sophisticated populace, an increase in tourism, or the proliferation of civic arts centers? Has the Black and Chicano theatre movement educated a new audience? How much has the Arts Council movement contributed and increased federal and state funding? How many Americans saw their first live show during the foreign travel craze of the 1960's on a London theatre tour?

The sure thing is that, given the pervasiveness of the "cost disease" to which theatre is subject, it will be necessary for the theatre to continue to pursue cost-saving and revenue-granting measures if it is to continue to serve a wide segment of the population.

APPENDIX A

SUMMARY

The Research Division of the National Endowment for the Arts intends to support one study of the condition and needs of professional American theatre. The study will be conducted in two phases. The first phase will be an intensive effort to collect, analyze, and report existing information to describe the current condition of professional American theatre and the perception of needs by the several sectors of American theatre. The second phase will consist of an ad hoc advisory panel, broadly representative of the American theatre, that will utilize the research results of Phase I in an effort to arrive at recommendations that it may consider appropriate at this time. The level of effort for Phase I is estimated at the equivalent of two professional person years and for Phase II at an equivalent of one professional person year. The deadlines for proposals is March 15, 1977. Proposals should be sent to:

Grants Office, Room 1101, M. S. 500
National Endowment for the Arts
2401 E Street N. W.
Washington, D. C. 20506

Attn: Research Program Solicitation No. 77-3

BROAD AGENCY OBJECTIVES

The National Endowment for the Arts is an independent agency of the Federal Government. The major goals are: (1) to promote broad dissemination of cultural resources of the highest quality across the land; (2) to assist our cultural institutions to provide greater public service and to improve artistic and administrative standards; and (3) to support creativity among our most gifted artists, encourage the preservation of our cultural heritage, and advance the quality of life of our Nation. The Research Division supports a limited number of research projects to assist the Arts Endowment in the development of its policies and resource allocations and for the benefit of the fields that it serves. Supported projects are always on current policy issues. Contracts and grants for support of research projects will usually be made by means of proposals received in response to competitive solicitations.

All research outputs from the project that may be supported by means of this program solicitation must be designed and formulated so that they are useful in support of these objectives.

WHO MAY APPLY

Proposals are invited from academic institutions, units of government, non-academic non-profit or profit organizations, individuals, or from a combination of these. The use of consultants and the formation of consortia are encouraged as means of bringing together the special skills required for the research project.

PROPOSAL SCOPE

Each proposal should be limited to the project described in the following section, Project Description. No other proposed projects will be considered for awards under this Program Solicitation.

DEFINITION OF TERM, AMERICAN THEATRE

For this Program Solicitation, American theatre is defined as the live professional presentation of plays, with or without music, before an admission-paying audience in the United States and its territories. Media presentation of plays may be related to the American theatre, as defined, in subordinate or assisting roles. The presentation of plays via the media is not a primary focus of this study, however, such presentations may be an important factor in the consideration of certain topics such as economic and personnel issues, and audience development. N.B., for this Program Solicitation, both professional non-profit and commercial theatre are included in the definition and must be considered in the research project.

PROJECT DESCRIPTION

The objective of the Phase I research project is to collect, analyze, and present in a clear and readily understood report, the current condition and perceived needs of professional American theatre. The objective of Phase II is to establish an ad hoc advisory panel that is broadly representative of the American theatre community for the purpose of preparing recommendations. In the second phase, the report prepared in Phase I will be reviewed, discussed, and through the additional panel work, a set of consensus recommendations will be developed on the major needs and the steps believed necessary to satisfy them.

Phase I

Phase I includes Tasks 1 - 6 which are associated with the preparation of a report on the current condition and perceived needs of American theatre. Parts of these tasks should be done concurrently with Phase II.

Task 1 - Development of Detailed Work Plan. As soon as possible, following issuance of the award, the awardee will meet with the Director, Division of Research and other Arts Endowment staff to develop a detailed plan of work. The awardee will be given information about the status of other research in progress and assistance in obtaining necessary information about them. The Arts Endowment has under support at this time, some research on a number of topics related to this Program Solicitation including: economic forecasting of profit and nonprofit theatre; economic impact studies; consumer demand analysis for theatre in the South; critical reviews of audience studies; and analysis of the 1972 Census of Business for legitimate theatre. Some information will also be provided about studies being supported by other organizations. In addition, information will be provided on the membership and management of the Phase II theatre research advisory panel.

411

Task 2 - Data Collection. Collect from the published literature and other documents information that is expected to contribute to an understanding of the present condition of the American theatre. A bibliography attached as an Appendix, is illustrative of the published literature but should not be considered as a complete listing of all possible sources. The collection of unpublished documents in addition to published literature for the analysis shall be done to the extent cooperation can be obtained with theatre service organizations and other institutions, theatres, and individuals. The collected published and unpublished material should include information on theatre personnel, facilities, products, audiences, and economic conditions but shall not exclude other subjects necessary to a full description of the condition of American theatre.

Task 3 - Documentation of Perceived Needs. The documentation of needs as reported by representatives of the several sectors of American theatre shall treat the differences in perceptions that may be found as information. The choice of procedures that may be utilized in assembling a representation of perceptions of current needs of the American theatre is open. Information may be obtained by means of correspondence, telephone, or personal interview. (Structured questionnaires and interviews, if used, may require clearance from the Office of

Management and Budget.) The service organizations of the theatre field shall be invited to prepare and submit papers representing their organization's viewpoint. The organizations to be contacted for such papers include, but are not necessarily limited to: Actors' Equity Association; American Dinner Theatre Institute; American Federation of Musicians; American Theatre Association; Black Theatre Alliance; Council of Resident Stock Theatres; Council of Stock Theatres; Dramatists' Guild; International Alliance of Theatrical Stage Employees; League of New York Theatres and Producers; League of Off-Broadway Theatres; League of Resident Theatres; Off-Off Broadway Alliance; Producers Association of Childrens' Theatres; Society of Stage Directors and Choreographers; Theatre Communications Group; and Theatre Development Fund. In addition, individuals and other organizations believed to have an important interest in theatre, including foundations, such as the Ford Foundation, shall be invited to provide their views.

Task 4 - Data Analysis. All of the data collected shall be subjected to rigorous analysis with the objective of accurately portraying the condition and perceived needs of American theatre. The analysis of present conditions must describe the relationships between nonprofit and commercial theatre with respect to personnel, facilities, products, audiences, the interactions that take place and the economic interdependencies that exist. The analysis of perceived needs shall utilize appropriate methodologies that give consideration to the implied alternative futures. The analysis shall be structured so that the professional nonprofit theatre community and the commercial theatre community and their several components are clearly distinguished and described. The reported perceptions of needs shall be summarized and presented in tabular form in a manner that makes clear the common, as well as unique requirements of the several sectors of American theatre and describes the alternative futures, if any, that may be implicit in the several perceptions. The analysis shall explain, if possible, the basis or justification for the unique needs that may be expressed.

Task 5 - Draft Report. A draft report shall be prepared. It shall contain an executive summary (approximately one hour reading time) that summarizes the findings of the study. Additional sections of the report shall provide for a full presentation of the information collected and the analysis. The papers and other documents that may be submitted by the service organizations of the field as well as other concerned organizations and key individuals shall be organized into appropriate appendices. Forty (40) copies of the draft report shall be prepared and distributed to Arts Endowment's project manager and to the members of the theatre research project advisory panel for review and comment (see Phase II).

Task 6 - Final Report. Following receipt of the comments from the Arts Endowment project manager and the theatre research project advisory panel, one hundred (100) copies of the report shall be completed in final form and delivered to the National Endowment for the Arts.

Phase II

Phase II includes Tasks 7, 8, and 9, which are associated with the activity of an ad hoc theatre study advisory panel. Parts of these tasks should be done concurrently with Tasks 1 - 6 of Phase I. The membership and chairperson of this panel will be established by the National Endowment for the Arts.

Task 7 - Executive Secretary for the Theatre Study Advisory Panel. Upon advice of the National Endowment for the Arts (see Task 1), nominees for membership on the theatre study advisory panel shall be contacted and invited to serve. Necessary arrangements will be made for meetings of the panel and reimbursement of travel and subsistence costs. The first meeting will be arranged as soon as possible following formation of the panel. Subsequent meeting frequency and location will be determined by the panel and the National Endowment for the Arts. Proposers may assume that four (4) meetings of two (2) days duration will be held in the course of the project.

Task 8 - Theatre Study Advisory Panel Review Responsibilities. During the course of Tasks 2, 3, and 4, the theatre study advisory panel will be kept informed of progress by means of one or more meetings at which a report is given and by means of correspondence. The appropriate degree and extent of communications shall be determined through discussion with the panel and the National Endowment for the Arts. When Task 5 is completed and a draft report is available, the advisory panel will be provided the opportunity to review the draft and offer comments that can be utilized in the completion of the report.

Task 9 - Development of Panel Recommendations. Coincident with the approximate time of completion of the Phase I report, the theatre study advisory panel should begin the development of recommendations concerning the needs and necessary steps to satisfy them. These recommendations may reflect the experience of the panel and other sources of information in addition to the findings of condition and perceived needs developed during Phase I. The panel will be regarded as the author of the report on recommendations. Acting as Executive Secretary, the awardee will compile these recommendations and prepare the final panel report. One hundred (100) copies will be delivered to the National Endowment for the Arts.

Phase I - COLLECT AND ANALYZE DATA
(Approximately six months)

Task 1

Contractor develops detailed work plan

Tasks 2, 3, and 4

Contractor collects & analyzes data on following subjects:

Nonprofit Theatre	Profit Theatre
Personnel	Personnel
Facilities	Facilities
Products	Products
Audiences	Audiences
Economic condition	Economic condition
Perceptions of needs	Perceptions of needs

Relation of
Nonprofit and Profit Theatre

Personnel
Facilities
Products
Audiences
Interactions
Interdependencies
Conflicts
Needs in common

Task 5

Contractor prepares draft report

Task 6

Contractor completes Phase I report and delivers to Arts Endowment

Phase II - RECOMMENDATIONS
(Approximately six to twelve months)

Task 7

Contractor serves as staff executive secretary for ad hoc theatre study advisory panel and manages the work of panel appointment and organization, panel meeting arrangements, travel cost reimbursements, minutes, and report preparation. Panel observes work in progress in Tasks 2, 3, and 4, and offers advice and suggestions as appropriate.

Task 8

Panel reviews draft report -- comments are provided to contractor for use in the completion of the Phase I report.

Task 9

Panel uses Phase I report as resource and develops recommendations for the Phase II report. Contractor assembles Phase II report and delivers to the Arts Endowment.

APPENDIX B

1. A Contemporary Theatre
2. The Active Company
3. Actors Theatre of Louisville
4. Alley Theatre
5. American Conservatory Theatre
6. American Shakespeare Festival Theatre
7. Arena Stage
8. Asolo State Theater, Inc.
9. Barter Theatre
10. Center Stage Associates, Inc.
11. Chelsea Theater Center
12. Cincinnati Playhouse in the Park
13. Circle in the Square
14. Cleveland Play House
15. Folger Theatre Group
16. Guthrie Theater Foundation
17. Hartford Stage Company, Inc.
18. Indiana Repertory Theatre, Inc.
19. Long Wharf Theatre
20. Loretto-Hilton Repertory Theatre
21. McCarter Theatre Company
22. Mark Taper Forum
23. Milwaukee Repertory Theater, Inc.
24. Phoenix Theatre
25. Seattle Repertory Theatre
26. Stage/West
27. Studio Arena Theatre
28. Trinity Square Repertory Company
29. Virginia Museum Repertory Theatre
30. Yale Repertory Theatre